

CUBA TRANSFORMACIÓN

A PROPOSAL TO TRANSFORM THE CUBAN ECONOMY

AUTHORS:

Mauricio De Miranda Parrondo

Pedro Monreal González

Omar Everleny Pérez Villanueva

Ricardo Torres Pérez

Pavel Vidal Alejandro

VERSIÓN 1

JULY 20, 2026

TABLE OF CONTENTS

1. Introduction	3
2. Vision for the Economic and Institutional Model and the Strategic Objective of the Transformation	6
3. Diagnosis of the Current Situation	13
4. Assumptions About the National and International Political Context	19
5. Phases and Guiding Principles of the Transformation	22
6. Overall Objectives of the First Phase	27
7. Criteria for Prioritizing Measures in the First Phase	30
8. Specific Objectives and Measures for the First Phase	33
9. Sequencing	95
10. Final Considerations	96
ANNEXES	98

1. Introduction

Cuba is facing the deepest economic and social crisis of its modern history. Its origins lie in the convergence of internal and external factors: the exhaustion of an economic model incapable of generating sustained growth and well-being, persistent economic-policy mistakes, changes in the geopolitical environment, and the tightening of U.S. economic sanctions. Its most visible manifestations are a prolonged contraction in output, inflation, currency depreciation, the deterioration of public services, the loss of household purchasing power, the decapitalization of infrastructure, and rising poverty and social vulnerability.

The scale of this crisis rules out any strategy based solely on partial measures or administrative adjustments. Cuba needs to undertake a comprehensive transformation: one that stabilizes the economy, restores its productive and institutional capacity, and builds a new development model capable of generating prosperity, equity, and opportunities for all citizens. This is the premise that guides this document.

Its purpose is to use economic analysis to help identify the priorities, sequencing, and policy measures needed to halt the country's economic and social decline, begin its recovery, and lay the foundations for building a social market economy underpinned by a democratic state governed by the rule of law. These proposals rest on one premise: decisions made during stabilization must align with long-term strategic objectives and contribute, from the outset, to the country's economic and institutional transformation.

A process of this nature carries real difficulties. The Cuban economy faces severe decapitalization, deteriorating public finances, an energy crisis, a weak financial system, and limited access to external financing. Together, these make substantial international support indispensable. This document therefore assumes a scenario in which Cuba can regain access to international sources of financing and move toward normalizing its international economic relations, including a substantial easing of U.S. economic sanctions, whose continuation remains one of the main obstacles to recovery.

The proposals presented here treat economic transformation as a continuous, coherent process. That process begins with a stage of macroeconomic stabilization and emergency measures aimed at halting the economy's decline and protecting the most vulnerable population; continues with the recovery of productive and institutional capacity; and culminates

in the consolidation of a medium- and long-term development strategy. These stages are not independent programs, but components of a single undertaking aimed at building an open, competitive, and inclusive social market economy, underpinned by macroeconomic stability, the coexistence of diverse forms of ownership, a democratic state governed by the rule of law, and a strong social policy.

While this document was being drafted, the Cuban government announced a program of 176 economic measures. This proposal does not respond to or evaluate that program; it follows its own methodology for prioritizing and sequencing public policy, based on urgency, macroeconomic consistency, institutional feasibility, and the capacity to create the conditions needed for the transformation process to succeed.

Accordingly, this first document focuses on the measures corresponding to the initial stage of stabilization and emergency response. That methodological choice is justified by the urgency of correcting the main macroeconomic imbalances, restoring the economy's basic functions, and addressing the population's most pressing needs. The proposed measures should not, however, be read in isolation, but as the starting point of a comprehensive transformation process whose direction and meaning are set by the economic and institutional model developed in the sections that follow.

Within that context, the energy crisis is a top priority. More than a sectoral problem, it is today one of the main constraints on economic recovery and the population's well-being. Its impact on production, transportation, health care, water supply, food, and the operation of public services makes restoring the power system an indispensable condition for the success of any stabilization and transformation strategy.

This document seeks to offer well-founded technical arguments that contribute to public debate and help build consensus on economic policy priorities in a possible process of change. It does not claim to provide definitive answers or to capture the full diversity of existing approaches; rather, it seeks to contribute to a plural and responsible discussion aimed at finding viable solutions for the country.

The project has been developed by Cuban economists from diverse academic and professional backgrounds, with the institutional support of the Cuba Study Group and the Observatorio sobre

la Economía Cubana (Observatory on the Cuban Economy).¹ That said, the ideas, proposals, and conclusions presented here are the sole responsibility of the authors and reflect only their own professional judgment.

The main limitations of this analysis are the following:

- **Data limitations.** The traditional opacity of official statistics and the distortions in relative prices in today's Cuban economy reduce the precision of econometric estimates and calibration models. Many parameters (supply elasticities, total factor productivity) are based on adjusted international comparative evidence rather than on long, reliable series of Cuban data.
- **Uncertainty about the political sequence.** The optimal order and speed of reforms depend heavily on endogenous political factors that are difficult to model. The transition dilemma – in which the initial losers hold veto power – poses a significant systemic risk.
- **Heterogeneity and distributional effects.** Although social mitigation measures are incorporated, the exact magnitude of the effects on inequality and poverty requires more detailed microsimulations, which are made extremely difficult by the absence of reliable data.
- **Transferability of international experience.** The successful economic transformations of Poland, Estonia, Vietnam, and China took place under historical, geopolitical, and human capital conditions that differ in part from those of Cuba in 2026. Any extrapolation should be treated with caution.
- **Unquantified risks.** Possible external shocks (changes in commodity prices, shifts in U.S. immigration policy, natural disasters) or internal shocks (bureaucratic resistance, an accelerated migration crisis) could significantly alter the projected trajectory.

To address these limitations, the proposal explicitly or implicitly incorporates the following design criteria, aimed at strengthening its feasibility, flexibility, and sustainability:

- A gradual transformation process, sequenced in three phases, that sets priorities within a set of interrelated measures. The sequencing seeks to identify priorities, take

¹The conclusions and recommendations of this proposal are based on the authors' technical and empirical analysis, combined with their normative vision of the kind of society to which they aspire. Institutional support does not imply approval, influence, or control over its content.

advantage of opportunities, and match actions to available capacity, without forgoing high-impact measures that must begin as early as the first phase.

- A flexible baseline scenario, built on assumptions about how the economy functions, institutional capacity, the political context, the international environment, and the response of supply. This scenario should not be understood as a rigid trajectory, but as a reference framework that can be adjusted as domestic and external conditions evolve.
- An emphasis on transparency, monitoring, and evaluation, through the periodic publication of information, tracking of key performance indicators, and independent audits.
- Targeted, temporary social safety nets, designed to mitigate the economic, social, and political costs of the transformation process, with particular attention to the most vulnerable groups.

The document is organized as follows. Section 2 presents the vision of the economic and institutional model guiding the transformation; Section 3 develops a diagnosis of the economic and social situation; Section 4 sets out the political and international assumptions underlying the proposal; Sections 5 through 9 develop the principles, objectives, prioritization criteria, measures, and implementation sequence of the initial stage; and Section 10 presents the final considerations. Two annexes are also included.

2. Vision for the Economic and Institutional Model and the Strategic Objective of the Transformation

Cuba's economic crisis is structural in nature. Beyond the combination of failed economic policies, external constraints, and U.S. sanctions, its fundamental cause lies in the persistence of a centrally planned model that has proven incapable of generating sustained growth, raising productivity, preserving macroeconomic stability, and durably improving the population's well-being.

In Cuba, the reforms undertaken to date have been partial, slow, and frequently reversible. The excessive delay in making these changes has bred inertia, limited the responsiveness of supply, and prevented the correction of the main macroeconomic imbalances. For this reason, a program of economic transformation cannot be limited to emergency measures or

disconnected administrative adjustments. It must start from a clear definition of the economic and institutional model it proposes to build, so that the decisions made from the outset are consistent with medium- and long-term strategic objectives.

This proposal recognizes the market's decisive role in allocating resources and setting prices, but also the state's responsibility to guarantee a sound institutional framework, promote competition, correct market failures, provide public goods, protect the most vulnerable, and guide development through public policies that serve the general interest.

Economic Model, Key Mechanisms, and Intertemporal Consistency

Every economic system needs mechanisms to organize the production, distribution, and consumption of goods, services, and productive factors. Historical experience shows that central planning has suffered from persistent limitations in fulfilling these functions effectively. Among them are systematic errors in resource allocation; rigidity in the face of technological, productive, or demand-side change; the perverse incentives faced by state enterprises when they are not subject to competition, financial discipline, or the risk of bankruptcy; and price distortions that generate shortages, low-quality output, lines, rationing, the expansion of informal markets, and macroeconomic and intersectoral imbalances. In Cuba, these limitations have become chronic.

The centralized administration of the economy, combined with the predominance of an authoritarian political system, favors the concentration of both economic and political power. When citizens lack real alternatives to choose from and the state, controlled by a bureaucracy with no effective accountability mechanisms, concentrates ownership of the principal means of production, employment, price- and wage-setting, resource allocation, and the distribution of goods, the autonomy of civil society is diminished and conditions favorable to the consolidation of authoritarian forms of government are created.

This results in the absence of political pluralism, the impossibility of exercising effective democratic control over public decisions, restrictions on freedom of information and expression, the entrenchment of bureaucratic elites with few control mechanisms, and the subordination of labor unions and social organizations to state power.

For these reasons, economic transformation must be accompanied by political and institutional transformation that makes it possible to build a social market economy underpinned by a democratic state governed by the rule of law.

A social market economy recognizes the central role of private enterprise as the main generator of investment, innovation, and employment, without excluding the participation of public enterprises where that serves the general interest. At the same time, it requires a strong institutional framework that guarantees competition, legal certainty, and compliance with market rules, along with public policies aimed at promoting a more equitable distribution of the benefits of economic growth and protecting society's collective interests.

This model rests on three fundamental premises. The first is that the market is the principal mechanism of economic coordination, but that its functioning requires a legal framework guaranteeing economic freedom, private property, free competition, consumer protection, and clear limits on discretionary state intervention. The second holds that markets can fail in ways that justify public intervention through effective regulation, independent institutions, and policies designed to preserve competition and correct such failures. The third holds that economic activity is oriented toward society's well-being as its overarching goal, using the efficiency of free markets as one of its principal instruments, but not as an end in itself.

Every dynamic economic system requires three essential functions: economic calculation, incentives, and innovation. These three functions reinforce one another. Efficient economic calculation improves the quality of decisions; incentives mobilize economic agents to act on that information; and the interaction between the two fosters innovation, productivity growth, and the economy's capacity to adapt.

Economic transformation therefore requires preserving intertemporal consistency between the decisions adopted to address the emergency and the long-term strategic objectives. Macroeconomic stabilization measures — such as controlling inflation, normalizing the monetary and exchange-rate system, and fiscal consolidation — are indispensable conditions for beginning economic recovery, but they will produce lasting results only if accompanied by the structural and institutional reforms needed to build a social market economy and a democratic state governed by the rule of law.

The Political Regime for a Transition to a Social Market Economy

The transformation model proposed for Cuba is founded on building a social market economy underpinned by a democratic state governed by the rule of law. In this model, the state must have the institutional capacity needed to act coherently, autonomously, and strategically – promoting economic development, correcting market failures, and ensuring that a competitive system functions properly. This entails regulating factor markets, preserving competition, enforcing antitrust policy, developing infrastructure, formulating national development strategies, and promoting social policies aimed, in particular, at eradicating poverty and fostering human development – all without public intervention degenerating into inefficiency, discretionary behavior, or capture by private interests.

A democratic state governed by the rule of law rests on, among other essential elements, freedom of expression, freedom of association, and freedom of the press; free, competitive, multiparty, inclusive, regular, and transparent elections; and the subordination of officeholders and public authorities to the Constitution and the legal order. These principles form the basis of a political system in which the exercise of power is subject to democratic control and accountability.

The political regime is a decisive factor in the success of any process of economic transformation. Reforms are not simply technical decisions or changes in public policy; they also involve political processes that reshape the distribution of resources, power, and opportunities, generate new incentives, and alter the interests of different social groups. The capacity to manage these conflicts, build credibility, and construct sound institutions is decisive for the sustainability of reforms. Ignoring this political dimension tends to lead to the failure or reversal of transformation processes.

International experience shows that the transition from a centrally planned economy to a market economy can take place under different political regimes. The cases of China and Vietnam show that a communist party can lead prolonged economic liberalization processes and achieve significant gains in growth, international integration, and poverty reduction. However, these processes have not been accompanied by the establishment of democratic systems or by a comparable expansion of civil and political liberties. The absence of effective mechanisms of citizen oversight and of alternation in power means that reforms remain subject to discretionary decisions and can be modified or reversed by the ruling elites themselves.

In Cuba, the experience has been different. Economic reforms have been slow to arrive, partial, and frequently reversible, carried out in a context of legal uncertainty, restrictions on private initiative, and a high degree of state discretion. This document therefore proposes that Cuba's economic transformation take place within the framework of a democratic state governed by the rule of law — not only because it offers stronger guarantees of institutional stability and legal certainty, but also because it recognizes democracy as a value in itself and as the most appropriate way to protect people's freedom, dignity, and fundamental rights. Choosing this model therefore rules out any purely utilitarian justification of authoritarian regimes based on their economic results.

Accordingly, the proposed transformation requires a state capable of designing, implementing, and evaluating fundamental public policies, ensuring compliance with market rules, protecting competition, promoting investment in infrastructure, steering the national development strategy, and delivering effective social policies. At the same time, the market must play a decisive — though not exclusive — role in allocating resources and setting prices, within a framework that recognizes the coexistence of diverse forms of ownership and guarantees their equality before the law. Only a balanced interplay between a competitive market and a democratic state governed by the rule of law will make it possible to build a development model that is sustainable, inclusive, and respectful of fundamental freedoms.

National Sovereignty and Independence

The proposed transformation toward a social market economy underpinned by a democratic state governed by the rule of law reaffirms, as a non-negotiable principle, the full sovereignty of the Cuban people and the independence of the nation. Sovereignty resides exclusively in the people and should be exercised through democratically elected institutions chosen in free, competitive, and pluralistic elections, whose officeholders will be subject to the Constitution, the rule of law, and effective accountability mechanisms. No foreign power, international body, or private actor may determine Cuba's destiny.

The transformation must be conceived, designed, led, and carried out by Cubans themselves, in keeping with the national interest. In this effort, the diaspora is an inseparable part of the nation and a strategic asset for the country's reconstruction. Its experience, professional skills, international networks, capital, and commitment to Cuba represent fundamental resources for

accelerating economic recovery, driving forward productive modernization, and strengthening the country's international integration. Fully harnessing that potential — while always preserving national sovereignty and avoiding the formation of privileges incompatible with the general interest — will be one of the factors contributing to the success of the transformation process.

Over the decades, economic sanctions have deepened the population's economic hardships, limited access to financing, investment, and technology, and provided the Cuban government with an argument to justify the persistence of inefficient policies and the absence of deep reforms. Their indefinite continuation continues to harm ordinary citizens above all, and it reduces the prospects for a rapid, sustainable economic recovery.

A viable transformation requires the United States to be an active counterpart in a negotiated solution through three actions: suspending Title III of the Helms-Burton Act; enacting the legislation needed for a comprehensive bilateral claims settlement, one that also provides compensation to Cuban nationals whose properties were confiscated without redress; and establishing a timetable for the gradual lifting of restrictions, together with unblocking Cuba's access to multilateral development banks. Without this comprehensive framework, unresolved claims and sanctions will remain a permanent source of legal and economic uncertainty that will constrain the country's prospects for recovery.

At the same time, the proposed transformation does not entail accepting conditions that would compromise national sovereignty in exchange for lifting these sanctions. Cuba must defend its legitimate interests in any negotiation process, always within the framework of international law, with transparency and full accountability to its citizens.

National independence is defined not by economic isolation or state control over productive activity, but by a nation's effective capacity to freely determine its own destiny, protect its strategic interests, and guarantee the well-being of its population. From this perspective, recent experience shows that a model based on the state monopoly over the economy, restrictions on economic freedom, and the concentration of power has weakened the country's genuine sovereignty by generating poverty, mass emigration, decapitalization, deteriorating infrastructure, and heightened vulnerability to external factors. Building a prosperous, diversified, and competitive economy, underpinned by a democratic state governed by the rule of law, is therefore the soundest foundation for strengthening Cuba's sovereignty and national independence in the 21st century.

Citizen Participation

Citizen participation is one of the pillars of Cuba's transformation toward a social market economy underpinned by a democratic state governed by the rule of law. In this process, citizens should not be mere recipients of public policy, but leading participants in its design, implementation, and evaluation, as well as direct beneficiaries of its results.

The proposal promotes mechanisms of direct and participatory democracy, including public consultations, binding referendums, and public hearings for the most consequential economic, territorial, and social decisions. It also calls for strengthening the autonomy of local governments through democratically elected authorities with real powers to manage their own resources, administer their budgets, and pursue development strategies suited to the needs of each territory.

The document also promotes public management based on transparency and accountability by recognizing the right of access to public information, adopting open budgets, and developing digital tools that facilitate citizen participation, social oversight, and the evaluation of government performance.

Citizens' participation in economic life is likewise an essential component of the proposed model. This means recognizing and protecting private property, promoting the development of cooperatives, and facilitating forms of co-management that allow workers and communities to contribute to wealth creation, always within a framework that preserves freedom of enterprise, competition, and economic efficiency.

A transformation of this nature also requires an autonomous and pluralistic civil society, grounded in full freedom of association. Conditions must therefore be guaranteed for the independent operation of labor unions, cooperatives, business and professional associations, nongovernmental organizations, and other legitimate forms of civil-society organization, so that they can participate actively in public debate and in the design, monitoring, and evaluation of public policy.

Citizen participation must be exercised within the constitutional framework and the democratic state governed by the rule of law, with civic responsibility, respect for the rights of others, and commitment to the general interest. Likewise, institutional safeguards will be needed to prevent

the capture of public decision-making by private or corporate interests, while always preserving transparency, competition, and equality before the law.

The normative principles set out in this section constitute the frame of reference guiding the proposals developed in the chapters that follow. The stabilization, recovery, and structural transformation measures presented below should be understood as instruments for gradually and coherently building a social market economy underpinned by a democratic state governed by the rule of law, while preserving national sovereignty and promoting broad citizen participation.

3. Diagnosis of the Current Situation

The crisis Cuba is experiencing is not cyclical, and it cannot be explained by recent external shocks alone. U.S. sanctions, the pandemic, the Venezuelan crisis, and the loss of external markets have significantly worsened the situation, but their impact has been much deeper because they struck an economy that already carried accumulated structural weaknesses, a limited capacity to adjust, and long-postponed reforms.

From this perspective, the crisis reflects the convergence of mutually reinforcing processes. For that reason, it cannot be resolved through partial stabilization measures, more external financing, or the mere management of scarcity — it requires a comprehensive transformation of the economic and institutional model.

Exhaustion of the Accumulation Model

The deepest manifestation of Cuba's crisis is the exhaustion of the accumulation pattern that, for decades, sustained — with varying degrees of strain — the country's economic and social reproduction. That pattern has progressively lost its capacity to generate the surpluses, investment, productivity, and foreign exchange needed to drive economic growth and finance the economy's expanded reproduction.

Long before the pandemic and the tightening of the external environment, the economy was already showing persistent signs of weakness. The events that have unfolded since 2019 accelerated long-standing trends: low growth, weak international competitiveness, worsening chronic shortages, and a weakening of the state's capacity to sustain basic services.

The origins of this trajectory go back several decades. During the second half of the 1980s, cumulative GDP growth was essentially zero,² reflecting the exhaustion of the model together with the tightening of the external constraint. After the “Special Period,” pre-crisis levels of economic activity were not recovered until 2004, and even then unevenly across sectors and social groups. The brief boost that followed from close economic ties with Venezuela later gave way to a new cycle of partial reforms whose impact on growth was limited. In 2025, according to official figures,³ real GDP remained below its 2014 level and was more than 15% lower than in 2018. The loss of a decade of growth is the most visible expression of the exhaustion of the accumulation pattern and of the economy's inability to regain a path of sustained growth.

Underlying this trajectory is an incomplete shift away from the old model – based on sugar and preferential external support – toward one built mainly on tourism, remittances, and the export of professional services. Although this transition partially cushioned the collapse of the previous model, it failed to correct the structural weakness of the productive apparatus. A significant share of tradable services generates few linkages with the rest of the economy, depends on external conditions that are difficult to replicate, and does not contribute to developing a solid industrial and technological base.

For too long, foreign policy functioned as a substitute for economic policy. First with the Soviet Union and later, on a smaller scale, with Venezuela, Cuba enjoyed exceptional financing, energy supply, and preferential trade terms that allowed the government to postpone domestic reforms and mask the model's inefficiencies. In both cases, external support temporarily improved economic performance and living conditions, but it offered no lasting solution to the external constraint. In practice, external financing was used to buy time, not to accompany a deep transformation of the economy. Today's crisis therefore reflects the exhaustion of a strategy that sought to sustain the country's viability through favorable external arrangements without sufficiently transforming its productive base.

²Cumulative GDP growth was 0.7% between 1985 and 1989 (ECLAC, *The Cuban Economy: Structural Reforms and Economic Performance in the 1990s* (Santiago, Chile: ECLAC, 2001), annex 3, table A.3), a period that coincides essentially with the anti-market-biased process known as the Rectification of Errors and Negative Tendencies.

³Yaima Puig, “Díaz-Canel: ‘The unity we need is that of people who argue fiercely but march together’ [audio],” Presidency of Cuba, December 13, 2025; and authors' calculations.

Persistent Macroeconomic Imbalances

The economic stagnation of the past decade has been accompanied by a growing deterioration of the main macroeconomic balances. The Cuban economy simultaneously faces high inflation, a pronounced depreciation of the peso, a loss of confidence in the national currency, partial dollarization, a large fiscal deficit, and very limited access to international financing.

Inflation accelerated sharply from 2021 onward, while the depreciation of the Cuban peso in the informal market reached extraordinary levels: the exchange rate moved from roughly 40 Cuban pesos (CUP) per U.S. dollar (USD) in January 2021 to close to 670 CUP per USD by mid-2026.⁴ Rather than correcting existing distortions and realigning economic incentives, the 2021 monetary and exchange-rate reform ended up making them worse, since it was carried out without sufficient international reserves, without a functioning foreign-exchange market, and without a supply response capable of absorbing the shock of the adjustment.

A regional comparison confirms the magnitude of these imbalances. Between 2022 and 2024, Cuba recorded average inflation of 32%, compared with a regional average of 5.6%. Over the same period, the fiscal deficit reached 9.4% of GDP, far above the Latin American and Caribbean average of 2.9%, while the current account deficit stood at 9.9% of GDP, compared with a regional average of 3.9% (see Annex 1).

These indicators should be read against the fact that a significant part of the macroeconomic adjustment has already taken place, albeit in a disorderly, regressive, and socially costly way. In real terms, the state has lost much of its capacity to finance public goods, investment, social services, and subsidies, while inflation and currency depreciation have severely eroded the purchasing power of wages, pensions, and other peso-denominated income. As a result, domestic demand has contracted, and a substantial share of the cost of the crisis has been shifted onto households.

The macroeconomic imbalances are therefore not solely a monetary or fiscal policy problem. They reflect structural weaknesses in the productive apparatus and in the institutional framework that governs how the economy works. Without a simultaneous transformation of productive capacity, economic incentives, and institutions, these imbalances will tend to re-emerge even if some of their most visible symptoms are temporarily corrected.

⁴elTOQUE: <https://eltoque.com/tasas-de-cambio-cuba>.

Deterioration of Productive Capacity

Cuba is experiencing a severe contraction in its capacity to produce, invest, export, maintain infrastructure, and sustain basic services. Gross fixed capital formation stands at around 7% of GDP, far below the Latin American and Caribbean average of 19%. Exports of goods and services per capita amount to roughly \$863, compared with \$2,629 in the region and considerably higher figures in countries such as Costa Rica and Panama (see Annex 1).

This erosion is also visible in the material base of the economy. Apparent steel consumption is just 10 kg per capita, compared with a regional average of 77 kg, while cement consumption stands at 69 kg per capita, versus 285 kg in Latin America and the Caribbean (see Annex 1). Compounding this is the deterioration of the power system: generation fell from 21,155 GWh in 2019 to 15,918 GWh in 2025,⁵ amid inadequate maintenance, fuel-supply constraints, and an increasingly fragile transmission grid.

The trajectory of tourism is a particularly telling example of a pattern of resource allocation that failed to correct the economy's structural constraints. For years, this sector absorbed a very high share of public investment, while the power system and other strategic sectors built up growing deficits that today limit productive capacity and economic growth.

Institutions, Incentives, and Constraints on Productive Reallocation

The rules of the game now in place systematically generate unfavorable economic outcomes: low productivity, weak innovation, informality, poor resource allocation, and the preservation of inefficient productive structures. The problem lies not only in how much the Cuban economy produces, but in how it produces. Segmented markets, limited competition, exchange-rate and price distortions, together with a state sector subject to soft budget constraints and weak incentives to innovate, prevent firm entry and exit from functioning as an efficient mechanism for reallocating resources.

The primacy of state ownership survives more as a legal and administrative definition than as the expression of a robust, competitive business system. Many state enterprises operate with recurring losses, depend on extraordinary bailouts, and function in an environment marked by limited transparency and weak incentives for efficiency. Very different realities coexist within

⁵Ricardo Torres, *Without Power, There Is No Country: Cuba's Electricity Generation Crisis* (Washington, DC: Cuba Study Group, 2026).

that category, however. The most significant case is the military-run conglomerate Grupo de Administración Empresarial S.A. (GAESA), which, despite concentrating a considerable share of the country's economic activity, operates with little transparency and is not publicly accountable to the National Assembly or to any other independent oversight body.

The non-state sector, for its part, has shown a significant capacity for adaptation and dynamism, despite facing major constraints, including limited access to credit, legal uncertainty, regulatory limits on business growth, and weak integration into more sophisticated value chains.

The result is a hybrid, unstable system, in which a diminished state capacity to generate well-being coexists with a growing presence of de facto markets, expanding informality, and rising inequality — alongside persistent government resistance to building institutions compatible with this new economic reality.

Successive waves of reform — the adjustments of the 1990s, the 2011 Guidelines (Lineamientos), the 2021 Ordering Task (Tarea Ordenamiento), and subsequent government plans — have tended to correct symptoms such as subsidies, the exchange rate, or prices, without altering the institutional architecture that generates them. There is still no effective mechanism for the market exit of nonviable state enterprises, no uniform transparency rules, and no accountability mechanisms covering all economic actors in the state sector.

Consequently, these institutional features explain why the current set of economic incentives tends to reproduce low productivity, weak innovation, and inefficient resource allocation, limiting the economy's ability to adapt to technological change, respond to market signals, and sustainably raise its productivity.

Erosion of Well-Being and the Social Contract

For decades, the Cuban model rested on a state that not only regulated the economy but also directly financed and provided a substantial share of social services. That premise no longer describes reality. For years now, gradually and without much explicit acknowledgment, the state has shifted onto households costs and responsibilities it previously bore, without providing them the resources needed to cope with them.

At the same time, economic deterioration has eroded the material foundations of the implicit social contract that sustained the model for decades: acceptance of a highly centralized system with little political pluralism, in exchange for a guaranteed basic level of well-being that was relatively uniform and independent of each individual's position in the market. That arrangement rested on several pillars that today show clear signs of weakening.

One of them was universal access to basic goods through the ration book (*libreta de abastecimiento*). Since its creation in 1962, this system guaranteed a subsidized basket of goods for the entire population, functioning as a minimum consumption floor delinked from labor income. In practice, this mechanism is now seriously eroded, and in 2026 the government announced that it would replace universal product subsidies with a scheme targeted at those considered vulnerable.

Another pillar was state employment as a mechanism of social integration and labor discipline. The state offered essentially guaranteed employment, paired with a modest but stable wage. That arrangement has lost much of its substance, both because of the growing importance of the non-state sector as the main source of income for many households and because of official acknowledgment that state wages no longer adequately fulfill their function.

The state's diminished capacity to guarantee this basic level of well-being has also driven a growing *de facto* commodification of essential services. Access to food, medicine, care, transportation, and other basic goods increasingly depends on households' ability to pay and on their position within differentiated income circuits, a situation made worse by the coexistence of multiple currencies. In this context, poverty is ceasing to be a residual phenomenon and is becoming a structural feature of Cuban social reality, visible in prolonged blackouts, deteriorating public transportation, and the growing presence of begging. Although Cuba retains significant inherited assets in health and education, both systems now operate on an increasingly fragile economic base that threatens to progressively erode the gains achieved over decades.

A Model in Crisis Amid a New External Landscape

The crisis has significantly weakened the state's capacity to provide public goods, integrate society, and offer credible prospects for progress within the current institutional framework. At the same time, the international environment in which the Cuban economy operates has

undergone profound change. The old pattern of favorable external conditions, negotiated between governments, has gradually given way to a different kind of dependence: a growing gravitation toward the United States, organized not between governments but through millions of private and family ties.

Its main channels are remittances, mostly originating in the United States; migration, which has expanded the Cuban community residing there; trade, with a sharp rise in U.S. exports of food, agricultural products, and fuel; tourism, driven by the diaspora and by American visitors; and investment, increasingly dependent on U.S. capital and subject to U.S. regulation. This is a decentralized, volatile form of dependence that will shape any future process of economic transformation.

This new configuration has expanded the United States' capacity to influence the Cuban economy, as became evident in a series of decisions taken during 2026. The suspension of Venezuelan fuel shipments, the threatened imposition of tariffs on countries supplying hydrocarbons to Cuba, and sanctions imposed on foreign entities linked to a wide range of Cuban companies — most of them tied to the military-run conglomerate GAESA — sharply worsened the fuel shortage and forced several major foreign companies, many with long-standing ties to the island, to suspend their operations. All of this unfolded amid a broader reshaping of the international landscape, marked by the loss of government support in Latin America and by the insufficient material backing offered by the Cuban government's traditional allies, Russia and China.

Taken together, these factors show that the economic relationship with the United States has ceased to be just one more element of the international environment and has become a structural determinant of how the Cuban economy functions. At the same time, they make clear that the country's external vulnerability does not depend solely on sanctions or on the evolution of bilateral relations, but also on the persistence of internal structural weaknesses that reduce its capacity to adapt to an increasingly uncertain and demanding international environment.

4. Assumptions About the National and International Political Context

This proposal rests on a set of assumptions about the national and international political context in which Cuba's economic transformation could begin. These are not predictions, but

working conditions that define a feasibility scenario for macroeconomic stabilization, productive recovery, and institutional change.

As a developing economy that must remain open, Cuba will need to move toward a gradual but full reintegration into the world economy and into the principal institutions that govern its functioning.

Given the scale of the crisis, it is unrealistic to think that the country could undertake a profound transformation relying solely on domestic economic-policy decisions. Cuba simultaneously faces a sharp contraction in output, a shortage of foreign exchange, deteriorating infrastructure, an energy crisis, mass emigration, the erosion of state capacity, and very limited access to external financing. Added to this is the conflict with the United States, which decisively shapes trade, investment, remittances, tourism, international payments, energy supply, and access to financing. For this reason, the proposed program is built on four main assumptions.

First, substantive progress in diplomatic negotiations between Cuba and the United States.

This assumption is indispensable because the current sanctions regime severely limits the Cuban economy's ability to access markets, financing, technology, investment, and normal international payment mechanisms. This does not mean attributing the crisis exclusively to sanctions. Its fundamental causes lie in the exhaustion of the economic model, accumulated economic-policy mistakes, and the absence of coherent structural reforms. Sanctions nonetheless aggravate these problems, narrow the room for maneuver, and raise the cost of any stabilization process.

A significant easing of sanctions would make it possible to capture far more of the benefits of the domestic transformation. It would ease access to remittances, investment, tourism, trade, fuel, international payment systems, and external financing. It would also expand the scope for economic participation by the diaspora — particularly Cuban Americans, who represent an essential part of that potential, although their participation remains constrained by the U.S. legal framework.

Second, that Cuba can reshape its international economic integration, breaking from the pattern of close dependence it experienced with the Soviet Union and Venezuela. For decades, these preferential arrangements provided energy, implicit financing, and favorable trade terms that allowed the government to partially offset domestic weaknesses and postpone indispensable economic reforms. That strategy has reached its limits. The transformation

requires replacing dependence on exceptional support with a more competitive, diversified, and transparent form of international integration.

This assumption is essential because Cuba needs renewed access to foreign exchange, credit, investment, technology, markets, and reliable suppliers in order to stabilize its economy and restore growth. Without a new form of international integration, any domestic recovery would quickly run up against the external constraint. Reshaping that integration means rebuilding the country's credibility with creditors, suppliers, and investors; gradually normalizing trade and financial relations; diversifying partners and markets; and establishing clear rules for foreign investment, the diaspora's economic participation, and the development of export activities. The goal is deeper integration into international markets on more diverse, and more autonomous, terms.

Third, the availability of emergency international financing. The first phase of stabilization and emergency measures cannot be financed with domestic resources alone, nor will easing sanctions by itself be enough to cover the country's immediate needs. Cuba faces critical shortfalls in energy, transportation, health care, food, water, housing, infrastructure, and social protection, at a time when the state's fiscal capacity is severely eroded. Under these circumstances, a stabilization program without international financial support would risk shifting an even larger share of the adjustment costs onto households and weakening the social legitimacy of the transformation process.

Emergency international financing should function as a transitional mechanism to halt the economic and social decline, protect the most vulnerable groups, and restore the minimum conditions needed for the economy to function. It could support essential imports, temporary fuel-supply arrangements, emergency power generation, targeted social-protection programs, and the initial recovery of strategic productive capacity. To ensure its effectiveness, this financing should be administered under strict standards of transparency, accountability, and verifiable monitoring mechanisms.

Fourth, that domestic political conditions exist for launching the transition away from the current model. Cuba's crisis is not only economic. It also reflects the exhaustion of an institutional arrangement that concentrates economic and political power, limits the autonomy of economic and social actors, and favors the persistence of partial, reversible, and insufficient reforms.

The transformation therefore requires political conditions that make it possible to begin replacing the centrally planned economic model with a social market economy and to move toward a democratic state governed by the rule of law. This entails the gradual introduction of legal, institutional, and constitutional reforms; effective recognition of different forms of ownership; freedom of enterprise; regulatory stability; legal certainty; effective mechanisms for controlling discretionary power; and the protection of economic and social rights.

In sum, these assumptions define the proposal's baseline scenario. In practice, however, significant variations in economic, political, and institutional conditions could materialize. The proposed measures will therefore need to be adapted to whatever concrete context ultimately prevails, preserving their core objectives while adjusting their sequencing, scope, and implementation instruments.

Under any scenario, however, Cuba's economic transformation will require a combination of relief from external constraints, a new form of international integration, emergency financing, and domestic institutional change. No single one of these elements guarantees the process will succeed. Yet the absence of any of them would significantly reduce the capacity to stabilize the economy, restore growth, protect the most vulnerable population, and move toward building a social market economy underpinned by a democratic state governed by the rule of law.

5. Phases and Guiding Principles of the Transformation

Cuba's economic transformation must be conceived as a comprehensive process organized in phases. The scale of the crisis demands swift action, while the depth of the changes required calls for sequencing, coherence, and institutional capacity. It is therefore necessary to distinguish between emergency measures, reforms aimed at reviving production, and medium- and long-term transformations intended to redefine the development strategy.

From this perspective, the roadmap can be structured in three phases:

Phase 1. Stabilization and Emergency Transformation. With an expected horizon of roughly three years, this phase should aim to halt macroeconomic and social decline, correct the most critical imbalances and shortages, restore the minimum conditions for the economy to function, and build an initial foundation of confidence to facilitate later reforms. During this phase, energy,

agriculture, and tourism will be the key sectors for reviving the production of goods and services.

Phase 2. Productive Recovery and Institutional Transformation. This phase should focus on the structural and institutional changes needed to allocate resources more efficiently, raise competitiveness, restore financial credibility, and sustain a gradual expansion of productive capacity, investment, employment, and household income.

Phase 3. Strategic Definition of the Economic and Social Development Model. This phase should aim to consolidate a medium- and long-term vision for Cuba's integration into the global economy, its strategic productive sectors, its mechanisms for redistributing wealth, the role of the state in the economy, and the consolidation of a new social contract.

This phased structure is not meant to suggest an orderly process whose sequence of reforms can be controlled and precisely foreseen, since that has not been the experience of economic transformation processes elsewhere. Reforms frequently accelerate because some create the conditions for undertaking others, or because reality itself reveals problems that were not initially anticipated. The phases should be understood as a flexible roadmap, not as separate, self-contained compartments. Some measures begun in the first phase will create the conditions needed for reforms in later phases, while certain elements of the second phase should begin as early as the first to avoid delays in productive recovery and institutional transformation. It is therefore not a matter of one phase concluding entirely before the next begins, but of a sequence involving overlaps, shifting priorities, and gradual adjustments. Its pace and scope will depend on the assumptions of the baseline scenario, particularly the availability of financing, the response of productive supply, institutional capacity, and how the political and external context evolves.

Guiding Principles of the Transformation

The depth of Cuba's crisis confirms the need for wide-ranging economic transformation. The way out cannot be reduced to partial adjustments or disconnected administrative measures. In general terms, what is at stake is building a social market economy adapted to Cuba's own conditions.

This process should not be improvised. It requires clear priorities, a realistic policy sequence, and guiding principles to steer both the initial stabilization and the structural reforms that

follow. The guiding principles set out below are intended to provide a basis for discussing the transformation program.

Stabilize to Grow

Any program of economic transformation in Cuba must start from a basic premise: the country needs to stabilize in order to grow, but it cannot do so sustainably without transforming the underlying conditions that gave rise to stagnation in the first place. Stabilization and reform are not separate stages, but two dimensions of the same process.

The initial phase must focus on halting the deterioration of the main macroeconomic and social imbalances: the fiscal deficit, unbacked money creation, inflation, recession, shortages of fuel, food, and medicine, and the loss of confidence in the banking system. Without a minimum degree of stability, the economy will continue to operate under conditions of extreme fragility, and it will be very difficult to undertake more far-reaching transformations.

Stabilization must send credible signals to the population, producers, savers, and potential investors. This means rebuilding confidence in the currency, the banking system, fiscal policy, and the state's ability to act according to predictable rules. It also requires transparency about the country's fiscal, monetary, and financial situation, as well as about the real costs associated with the measures adopted.

At the same time, stabilizing cannot simply mean managing scarcity. Cuba will not regain a path of sustained growth until it transforms the institutions, incentives, and rules that have led to productive stagnation. Some institutions will need to be reformed, others will disappear, and new institutions capable of sustaining a new economic and social model will emerge.

Once the most critical phase of the crisis has passed, priority must shift toward structural transformation: raising productivity, modernizing strategic sectors, and creating the conditions for economic actors to invest, produce, import, export, and compete. This means fostering growth in the private sector, closing or restructuring nonviable state enterprises, granting real autonomy to efficient state enterprises, and attracting foreign investment through clear, stable, and non-discriminatory rules.

Prioritize Supply, Productivity, and the Rebuilding and Use of Productive Capacity

The social emergency requires immediately addressing the population's essential needs. A transformation program, however, cannot focus on demand alone. The central problems of the Cuban economy are the contraction of supply, low productivity, and the progressive destruction of productive capacity. Economic policy must therefore aim to produce more, produce better, and lower costs for the benefit of society as a whole.

Food shortages illustrate this problem clearly. Today, a significant share of available supply comes from private imports, carried out at high costs that ultimately pass through to prices. Although these imports have helped partially ease shortages, they are no substitute for rebuilding domestic production. Higher domestic output would expand supply, reduce inflationary pressures, create jobs, and sustainably raise real wages.

In the short term, two sectors are especially important for a supply-recovery strategy: agriculture and tourism. Agriculture is decisive because it directly affects the availability of food, the trajectory of prices, and households' day-to-day well-being. Liberalizing agricultural markets, improving access to inputs, removing obstacles to commercialization, and expanding the role of private producers and cooperatives could generate relatively fast effects on food supply and rural employment. Tourism, for its part, has currently underused installed capacity and can once again become a major source of foreign exchange, demand for domestic suppliers, and productive linkages.

Raising nominal income without expanding supply fuels inflation and ultimately erodes purchasing power. The recovery of real wages must therefore rest on genuine productivity gains and a greater availability of goods and services. Economic policy must create incentives to produce, invest, hire workers, innovate, and compete. To that end, the state will need to remove the restrictions that currently limit production. The supply-side strategy should concentrate on sectors with a strong multiplier effect on the rest of the economy, including energy, food production, tourism, supply chains, and services linked to productive modernization.

Proactive Social Policy and Institution-Building

The social dimension is not a residual aspect of the current crisis, but one of its fundamental manifestations. State action must therefore go beyond mitigating its effects: a proactive social

policy that properly structures the relationship between state and market is indispensable. Social policy not only provides immediate protection against risk, but also creates the conditions for sustained social development.

In Cuba, short-term macroeconomic stabilization and emergency measures are, by their very nature, deeply social matters. Social policy, understood in a broader sense than social protection, must therefore define the framework within which economic instruments are applied – not the other way around.

From the earliest stages of the transition to a social market economy underpinned by a democratic state governed by the rule of law, an institutional framework must be established that can turn the tensions inherent in short-term adjustment into opportunities to build a more inclusive, productive, and socially sustainable development model.

Social protection performs an indispensable, though fundamentally reactive, function: cushioning immediate impacts through targeted transfers, subsidies aimed at vulnerable people, and other compensatory measures. Social policy, by contrast, understood as a broader and more strategic concept, performs a proactive, structuring function, because it sets the rules of adjustment so that adjustment is not limited to correcting macroeconomic imbalances but drives a deliberate reallocation of resources, capabilities, and opportunities.

The transition to a social market economy will only be viable if it combines economic openness, macroeconomic discipline, and a social policy capable of fostering long-term social development. There can be no sustainable economic stabilization without social sustainability. Ignoring the central role of social policy in managing the adjustment would deepen poverty and inequality, erode the legitimacy of the reforms, and put the stabilization program itself at risk. In this context, social protection will play an essential role in preserving public support for the transformation process.

For this reason, the adjustment must be designed from a rights- and equity-based perspective, so that social policy does not merely accompany macroeconomic measures but serves as one of the criteria guiding their design and implementation.

Effective social protection requires reliable institutions. A subsidy system without up-to-date registries can exclude vulnerable households or benefit those who do not need assistance. The country will therefore need to develop modern administrative capacity, including up-to-date

public registries, digitalization, independent audits, anti-corruption controls, and accessible grievance mechanisms.

Institution-building also requires professionalizing the public sector, strengthening incentives for efficient performance, expanding transparency, guaranteeing stable rules, limiting the discretionary exercise of power, establishing independent oversight mechanisms, and effectively protecting economic and social rights.

6. Overall Objectives of the First Phase

Under the assumptions set out in the fourth section, a range of geopolitical and diplomatic factors appear to be converging in 2026 that could open a window of opportunity to begin transforming the Cuban economy. It is not yet clear how such a process might unfold politically, or what its institutional implications would be. If the conditions for change do materialize, however, it will be essential to have clearly defined priorities and a sequence of measures in place to seize that opportunity. The scale of the crisis calls for decisive action, but also for order, coherence, and strategic direction.

It is important to recognize that not all reforms can be implemented at once. Setting priorities, organizing the transformation into phases, and defining a sequence that maximizes results, reduces transition costs, and concentrates political, institutional, and financial capacity where it can have the greatest impact are all indispensable.

A Complex Starting Point, but with Some Opportunities

The first phase of stabilization and emergency transformation begins from an especially critical situation. The Cuban economy has accumulated more than a decade of decline, which worsened significantly from 2020 onward and deepened further during 2026. The objectives of this stage must therefore be realistic and consistent with that starting point. The goal is not to set excessively ambitious or unattainable short-term targets, but to concentrate efforts on halting the decline and rebuilding the minimum conditions needed for the economy to function and for investor confidence to recover.

Despite this, four elements coexist with this starting point that could amplify the positive effects of the reforms during the initial phase.

The first is the existence of a private sector that, despite operating under severe regulatory, banking, foreign-exchange, and tax constraints, has shown a remarkable capacity to adapt, innovate, and respond to the crisis. Its expansion is one of the few domestic levers with an immediate capacity to revive supply, employment, the availability of goods, and income generation. This is not yet a fully developed sector, nor one free of obstacles, but it is an existing economic base on which a significant part of the initial transformation can rely.

The second element is the potential contribution of a significant part of the Cuban community abroad. Many Cuban Americans and emigrants in other regions have business experience, financial and commercial networks, and capital that could contribute to the growth of the private sector on the island. In some cases, there is already a track record of investment or economic ties with private ventures. These capabilities could be harnessed far more effectively in a context of credible economic liberalization.

The third element is the possibility that, within the framework of a negotiation with the United States, extraordinary short-term gains could arise from an eventual easing of sanctions. Depending on the scope of such a negotiation, this could translate into better conditions for access to foreign exchange, remittances, tourism, investment, trade, external financing, and energy supply. This represents a possible window of opportunity that, if seized effectively, would raise the odds of success for the emergency measures and reduce part of the transition costs.

The fourth element is the existence of installed capacity in the tourism sector that is currently underused. Despite past mistakes in resource allocation and the low hotel occupancy rates recorded in recent years, tourism remains one of the sectors with the greatest potential to generate foreign exchange in the short term, especially if an easing of sanctions, a recovery in travel, and closer linkages with the rest of the economy all coincide. Its multiplier effect could extend to transportation, food service, personal services, agriculture, local industries, and private ventures. It is also a sector where foreign investment, diaspora capital, and domestic private-sector participation could combine — not only in hotel operations, but also in complementary activities that broaden the offering, diversify destinations, and increase tourism's impact on income and employment.

In designing the measures for this first phase, it must be recognized that the Cuban economy has already undergone a deeply distorted and very costly social adjustment. The state has progressively withdrawn from markets for goods and services, has reduced its provisioning

capacity through the ration book to a minimum, and has allowed the coverage, quality, and real value of essential services such as health care, education, transportation, electricity, and waste collection to deteriorate. Compounding this is the near-disappearance of public investment in infrastructure and housing, along with the loss of real value in public-sector wages and pensions. Taken together, this has meant a very significant contraction in real public spending and has shifted a growing share of the cost of the crisis onto households.

In that sense, part of the fiscal and monetary imbalances has already been corrected — not as the result of a coherent stabilization program, however, but through an asymmetric adjustment whose costs have fallen on consumption, real income, and the population's well-being. Inflation and the pace of depreciation of the Cuban peso have tended to moderate from their highest levels, but this has happened largely because the erosion of real wages, pensions, and public spending has compressed domestic demand and imposed an adjustment based on impoverishing the population.

The first stabilization phase should therefore not be understood in the conventional sense of a program aimed solely at reducing inflation, the fiscal deficit, or public debt. Under Cuba's current conditions, stabilization must be conceived more broadly, as the process of creating the minimum conditions needed to revive production.

This does not mean the transformations of this first phase will be free of social costs. Even though the harshest part of the adjustment has already taken place, further corrections to relative prices, corporate restructuring, changes to subsidies, and the reallocation of jobs can generate negative effects for certain groups of the population. It will therefore be essential to accompany the reforms with active social policies capable of identifying and protecting the most vulnerable households. As in any process of economic transformation, there is a time lag between costs and benefits: while the former tend to be concentrated in the short term, the latter — higher output, more jobs, better incomes, and the recovery of well-being — tend to materialize gradually.

Six Overall Objectives for Stabilization

Under this logic, and with an expected horizon of roughly three years, the stabilization and emergency transformation phase would be oriented toward achieving the following objectives:

1. Halt the contraction in output and lay the groundwork for a gradual recovery of supply, especially in the sectors best able to drive economic recovery.
2. Foster the growth of the private sector as an engine of productive recovery, job creation, and the expansion of domestic supply.
3. Realign relative prices and the exchange rate, so that prices better reflect market conditions and give clear signals for allocating resources efficiently.
4. Transform the labor market to ease worker reallocation, while keeping the average real wage stable.
5. Create a minimum level of confidence and predictability to attract foreign capital and revive productive investment.
6. Maximize the economic opportunities created by a possible easing of sanctions and greater external openness.

7. Criteria for Prioritizing Measures in the First Phase

The analysis of Cuba's current situation offers few certainties, but some are hard to ignore. The accumulation of problems is so extensive that, even under favorable conditions, any transformation process will need to start from a clear agenda of priorities. It is not possible to change everything at once: the initial measures capable of bringing order to the process, building confidence, and producing tangible results will need to be identified. The deterioration of infrastructure, the depth of the productive and energy crisis, the scale of the macroeconomic distortions, and the high social cost all make clear that there are too many pending tasks to address simultaneously.

Added to this are severe constraints on financial resources, political time, and the institutional capacity needed to design, coordinate, and implement the transformation. For this reason, setting priorities is indispensable.

The nine criteria that served as the basis for selecting the first-phase measures are presented below.

Severity of the Problem Being Addressed

Priority was given to measures aimed at addressing the most severe imbalances and the most urgent shortcomings in the Cuban economy. The energy crisis, food shortages, and exchange-rate distortions received preferential attention because of their effects on the productive apparatus as a whole.

Institutional Capacity for Implementation

The initial phase gives priority to changes whose implementation, oversight, and coordination require less institutional capacity. Reforms that are more complex from an administrative, regulatory, or operational standpoint are deferred to later stages. For example, removing restrictions on private enterprise, lifting price controls, or amending labor regulations is more feasible in the short term than completely redesigning the banking system or the pension system.

Feasibility of Mobilizing the Necessary Financial Resources

Priority was given to measures whose implementation can rely on resources that are already available or that stand a reasonable chance of being obtained in the short term — whether through an easing of sanctions, access to credit, incoming investment, the generation or conservation of foreign exchange, a better reallocation of domestic resources, or international assistance.

Availability of Infrastructure and Physical Capital

Priority was given to transformations in sectors or activities that already have a minimum base of infrastructure, equipment, logistical capacity, or usable physical assets. This lowers initial costs, facilitates implementation, and allows results to be achieved sooner. Tourism, for example, has hotel infrastructure already in place, whereas rebuilding the power system requires much larger investments.

Compatibility with Demographic Constraints and Available Workforce

Priority was given to reforms compatible with the country's available labor force, occupational profiles, and technical capabilities. Emigration, an aging population, and skills gaps limit the feasibility of transformations that require large volumes of labor or highly specialized

professionals. It is therefore more feasible to initially prioritize sectors such as tourism and agriculture over promoting complex manufacturing industries or highly specialized services.

Multiplier Effect on the Rest of the Economy

Greater priority was given to transformations that, when applied in a specific area, generate positive linkages with other sectors or simultaneously help correct several bottlenecks at once. The aim was to favor measures capable of unlocking broader stabilization and recovery processes. Correcting the exchange rate, improving energy availability, or eliminating monopolies in agriculture and foreign trade, for example, produce simultaneous effects on output, supply, exports, employment, and tax revenue.

Expected Speed of Implementation and Results

The first phase favored measures capable of producing relatively fast effects on stabilization, productive supply, and the availability of essential goods and services, while also helping to build confidence in and support for the transformation process. Expanding emergency power generation, securing the fuel supply, or removing barriers to private business activity, for example, would produce more immediate results than broader institutional reforms.

Effect on Well-Being and the Social Legitimacy of the Reforms

Priority was given to reforms with the greatest capacity to halt the deterioration of well-being, protect the most vulnerable groups, and distribute the costs of adjustment more equitably. Their contribution to maintaining the social legitimacy of the transformation process was also taken into account. These include strengthening pensions and public-sector wages, reinforcing social assistance, and improving the availability of energy.

Favorable International Evidence and Experience

Priority was given to transformations backed by successful international experience or by comparative lessons useful for their design and implementation. International evidence does not substitute for case-specific analysis of Cuba, but it helps identify policies with a greater likelihood of success. There is, for example, extensive evidence on the benefits of improving the

efficiency of public spending, targeting subsidies, correcting exchange-rate regimes, and strengthening incentives in agriculture, the private sector, and small-scale activities in general.

8. Specific Objectives and Measures for the First Phase

The first phase of stabilization and emergency transformation is organized around 20 specific objectives, each accompanied by a set of priority measures. These objectives should not be seen as isolated lines of action, but as interdependent parts of a whole. For clarity, the objectives and measures are grouped into six areas of intervention. This structure organizes the proposal around its principal areas of intervention, while recognizing that many measures require coordination across policy areas.

Area	Objectives Included	Priorities
I. MACROECONOMIC AND PRICE POLICIES	1–4	Fiscal efficiency and transparency; protection of public wages and pensions; price liberalization; exchange rate unification.
II. ENERGY	5–7	Minimum fuel availability; emergency power generation; renewables, storage, and tariffs.
III. PRIORITY SECTORS: AGRICULTURE AND TOURISM	8–10	Agricultural reform; food markets; food security; tourism recovery and productive linkages.
IV. PROPERTY AND ENTERPRISE TRANSFORMATION	11–13	Expansion of the private sector; restructuring of state enterprises; asset sales; selective privatization; transfer of GAESA to civilian institutions.
V. EXTERNAL INTEGRATION AND INTERNATIONAL FINANCING	14–17	Trade openness; foreign investment; accession to international financial institutions; debt restructuring; compensation for confiscations.

Area	Objectives Included	Priorities
VI. SOCIAL PROTECTION AND ADMINISTRATIVE REFORM	18–20	Immediate social protection; labor regulation; decentralization; anti-corruption; public safety and institutional strengthening.

I. Macroeconomic and Price Policies

1. Increase the Efficiency of Public Spending and the Transparency of Public Accounts

Starting Point and Main Objectives

In the first phase, it is not advisable to launch a broad tax reform or a comprehensive redesign of the fiscal system. There is not yet sufficient clarity about the productive structure that will emerge from the reforms or about the relative weight of different economic actors, nor are conditions in place to develop new fiscal institutions or more complex fiscal rules.

It is not advisable to base the fiscal adjustment on additional austerity measures, because a significant part of that adjustment has already taken place in a disorderly and regressive way, through inflation and the decline in real wages and pensions. The Cuban government has already carried out an adjustment through impoverishment. The objective at this stage should therefore not be to deepen the contraction of spending, but to increase its efficiency and take advantage of the new revenue possibilities that could emerge from the stabilization of productive activity, the expansion of the formal private sector, the reduction of informality, an improved exchange-rate regime, and a possible easing of sanctions.

In this context, the main fiscal problem is not only the size of the deficit, but also the low efficiency and opacity of public spending, the burden of an unproductive state enterprise system, the persistence of poorly targeted broad-based subsidies, and the fragmentation of public accounts, aggravated by GAESA's role in strategic sectors and in the management of assets and foreign exchange.

Transparency of public accounts is indispensable for establishing a credible nominal anchor. A nominal anchor is a macroeconomic variable that serves as a reference point for coordinating expectations about prices, wages, the exchange rate, and financial decisions. In high-inflation contexts, it helps guide those expectations and demonstrates that economic policy will follow a verifiable rule or commitment to reduce inflationary pressures.

Priority Measures

1.1. Integrate the Operations of All State Entities into the Civilian Fiscal Framework

State enterprises and entities engaged in economic activity and revenue generation should be fully integrated into the public accounts and should contribute to the State Budget through taxes, dividends, transfers, or other fiscal-consolidation mechanisms. The resulting resources could be allocated transparently to public investment, pensions, budgeted-sector wages, and social assistance. Bringing them into a transparent, rules-based civilian fiscal framework would help reduce the burden of adjustment on households and improve the quality of public spending.

1.2. Close, Merge, or Restructure Unprofitable State Enterprises Once Relative Prices and the Exchange Rate Have Been Corrected

The sale of state assets and the privatization of certain enterprises should go hand in hand with restructuring the state enterprise system, which today absorbs subsidies, generates losses, and operates with low productivity. This would help reduce unproductive spending and reallocate resources toward activities with greater capacity to generate value added and employment. This measure should be applied after prices and exchange rates have been liberalized and adjusted.

1.3. Reduce Broad-Based Subsidies and Continue Moving Toward Subsidies Better Targeted at Vulnerable Households

Although some minimal general subsidies and free public education and health care should be maintained in this first phase, there is room to keep shifting resources from universal, inefficient subsidies toward better-targeted support. This would improve the progressivity of public spending and more effectively protect the most vulnerable groups. Targeting should nonetheless proceed with the gradualism required, in parallel with building the institutional

capacity needed to properly identify beneficiaries. The guiding principle should be to avoid wrongful exclusion: it is preferable to temporarily subsidize some households that do not fully need it than to leave those who are genuinely vulnerable without support.

1.4. Strengthen the Transparency of Public Accounts and Establish a Credible Benchmark for Price-Setting and Expectations

This means regularly publishing more complete information on the budget, subsidies, transfers, enterprise losses, public debt, quasi-fiscal operations, and interenterprise payment arrears. It also means making transparent the links between the State Budget, the Central Bank of Cuba (BCC), the banking system, and state enterprises.

Without this information, it is not possible to accurately measure the fiscal deficit, determine what share is financed through money creation, or assess the true impact of fiscal policy on inflation. Fiscal transparency should therefore be considered a core component of the anti-inflationary strategy, in addition to being an indispensable accountability mechanism.

In the first phase, the nominal anchor should be primarily monetary. Since Cuba does not yet have a developed public debt market and the Central Bank will continue to finance part of the fiscal deficit, annual targets should be published for the fiscal deficit and, especially, verifiable limits on its monetary financing. Controlling the monetization of the deficit will be essential for containing inflationary pressures and anchoring expectations.

Key Indicators

- State Budget revenue, expenditure, and fiscal deficit as a percentage of GDP.
- Budget transfers to the state enterprise system as a percentage of GDP or of total public spending.
- Tax revenue as a percentage of GDP.
- Share of state enterprises operating at a loss or receiving budget transfers to cover operating deficits.
- Monetary financing of the fiscal deficit as a percentage of GDP.
- Number of quarterly reports published on quasi-fiscal operations and interenterprise payment arrears.

- Gross public debt as a percentage of GDP.
- Effective coverage rate and targeting accuracy of subsidies, while preserving universal access to education (a composite index weighting four dimensions: vulnerable households, exclusion error, the share of schools maintaining or expanding extended hours and school meal programs, and the labor-force participation rate of mothers with school-age children).

2. Finance Social Protection and Preserve the Income of Public-Sector Pensioners and Salaried Workers During the Adjustment

Starting Point and Main Objectives

Under Cuba's current conditions, it would be overly ambitious to promise, during this first phase, a significant recovery in the purchasing power of public-sector pensions and wages. The economy arrives at this point after an intense adjustment through impoverishment, in which inflation and currency depreciation severely reduced the real value of peso-denominated income for households that depend on resources from the State Budget.

Attempting a broad, immediate recovery through nominal increases disconnected from the real availability of resources would only reproduce the vicious circle of a larger fiscal deficit, monetization, and inflation.

The purpose of this stage should therefore not be to promise a full and immediate restoration of real income, but to prevent a further loss of purchasing power for public-sector pensions and wages and to begin building a more orderly and fiscally sustainable adjustment mechanism.

This carries special political and administrative weight. Without a minimum level of income protection for public-sector salaried workers, pensioners, and groups affected by the adjustment, it would be far more difficult to sustain the social support and institutional capacity needed to implement the reforms.

The funding needed to protect this income and sustain social policy during this first phase should draw on several channels. The first is fiscal savings generated by restructuring the state enterprise system, reducing inefficient subsidies, and reallocating public spending toward social priorities. The second is the sale of state assets and partial privatization, provided these are carried out in an orderly, transparent, and accountable way, under rules that prevent asset

capture by groups with privileged access. The third would come from tax revenue tied to activities with greater short-term growth potential, particularly tourism, private services, trade, and diaspora investment.

External resources should supplement these domestic sources. A significant easing of sanctions could generate immediate financial benefits through higher flows of remittances, travel, investment, trade, and access to banking channels. In addition, if broader international negotiations advance, Cuba should seek financing from international financial institutions and promote the creation of a stabilization fund.

Priority Measures

2.1. Introduce Targeted Tax Adjustments That Favor Formalization and Employment

This would include, in particular, lowering the top rates applied to personal income and business profits, as well as eliminating the tax on hiring labor. Even though these measures would reduce tax rates, the formalization of economic activity, the correction of relative prices, and the broadening of the tax base could allow tax revenue to increase during the first phase, helping to finance social policy measures.

This first phase does not call for a comprehensive redesign of the tax system, but rather a limited set of rate and base adjustments whose aggregate fiscal cost must be monitored. The priority is to eliminate distortions that penalize business expansion, formalization, and job creation. It is nonetheless recommended that the groundwork be laid now – including a taxpayer registry – for the future introduction of a value-added tax (VAT), with exceptions for basic-basket goods, so that it can be implemented as soon as the necessary institutional and administrative conditions exist.

2.2. Update Public-Sector Pensions and Wages Based on Inflation, the Fiscal Savings Actually Achieved, and Additional Resources

The priority in this first phase should be to prevent a further loss of purchasing power for these incomes and to begin increasing them as fiscal savings materialize and additional resources become available. This adjustment should not be financed through a larger fiscal deficit or

through monetization, but with fiscal resources that are genuinely available. Later, a periodic – preferably annual – review mechanism could be established to adjust nominal pensions and wages taking into account inflation, the evolution of the public accounts, and the fiscal savings actually achieved.

2.3. Create a Stabilization Fund to Channel External Resources and Proceeds from Asset Sales

During the first phase, a stabilization fund should be created, with management kept separate from the ordinary budget, to channel the external resources obtained toward specific social policy actions, income protection, and economic restructuring.

This fund should draw on revenue from the orderly, transparent sale of state assets and from partial privatization. It could also receive resources from international financial institutions, governments, development banks, donations, concessional credit, diaspora contributions, and financial benefits associated with any easing of sanctions.

Its purpose would be to serve as a financial cushion to absorb the social costs of stabilization. Resources should be directed primarily toward temporary transfers for vulnerable households, compensation for workers affected by enterprise restructuring, support for pensioners, and food, health, and energy programs.

To prevent discretionary use and political capture, the fund should operate under clear eligibility rules, public allocation criteria, periodic audits, accountability, and independent oversight mechanisms.

Key Indicators

- Annual change in the average real value of public-sector pensions and wages.
- Share of spending on public-sector pensions and wages in the State Budget and in GDP.
- Resources mobilized by the stabilization fund (millions of USD or percentage of GDP).
- Number or share of beneficiaries of programs financed by the stabilization fund.

3. Liberalize Prices, and Establish Transparent Rules for Prices That Remain Regulated

Starting Point and Main Objectives

Price liberalization is one of the most important — and most disruptive — transformations in any market reform. Without accurate price signals, it is not possible to properly measure economic value, relative costs, resource scarcity, consumer needs, or the profitability of productive activities. Without them, it is impossible to determine clearly which enterprises are viable, where investment opportunities exist, or how to allocate resources efficiently across sectors.

In Cuba, the centralized economic model has meant extensive administrative price-setting by the Ministry of Finance and Prices, repeated use of price caps, and a lack of autonomy for state enterprises to adjust their prices to costs and market conditions. This distortion also reflects a productive structure with little competition, limited room for non-state actors, and an excessive weight of inefficient state enterprises.

Correcting this distortion must proceed in coordination with broader economic liberalization, the expansion of the private sector, a reduced weight of unproductive state enterprises, and the correction of the exchange rate. Only in a context of greater competition and openness to new actors can prices begin to fulfill their function as signals for production, investment, and consumption.

Even so, some prices should remain regulated in this first phase in sectors where natural monopolies persist, essential public services are involved, or the social cost of immediate liberalization would be excessive. That would be the case, at least initially, for electricity, water, some fuels, certain public services, and essential medicines. Price liberalization is therefore an early-stage reform, indispensable for transforming how the economic model functions and for creating more rational conditions for resource allocation.

Priority Measures

3.1. Liberalize Prices in Agricultural Markets and Eliminate Any Price Cap or Administrative Price-Fixing That Distorts Supply, Except Those Tied to the State Procurement Quota in Measure 9.1

Agriculture should be one of the first sectors to operate under market signals, given its importance for supply, import substitution, and food security. Liberalizing agricultural prices

would improve production incentives and correct one of the main distortions currently holding back investment and output in the sector.

3.2. Extend More Flexible, Market-Based Price-Setting to State Enterprises

This means removing the restrictions that currently prevent state enterprises from adjusting their prices in line with their costs, the exchange rate, supply and demand conditions, and competition from the private sector. This measure should accompany the restructuring of the state enterprise system and the expansion of micro, small, and medium enterprises, so that price formation takes place in a more competitive and less regulated environment. It would also allow price signals that already exist in informal markets – but without legal recognition or the capacity to transparently guide production, investment, and consumption decisions – to be carried over into the formal market.

3.3. Eliminate Price Caps on the Private Sector and Define Clearer, More Predictable, and Technically Consistent Mechanisms for Regulating and Updating the Prices That Remain Regulated

Eliminate all price caps in the private sector, and in markets where prices cannot be liberalized immediately, the state should replace current discretion with more transparent adjustment rules tied to costs, the exchange rate, efficiency, and social-protection objectives. This would be especially important for energy, water, public transportation, and medicines.

3.4. Raise Interest Rates and Allow Them to Better Reflect Actual Scarcity and Inflation

Although it is not the price of a good or service, the interest rate is also a key price in the economy. Correcting it would help improve the allocation of savings and credit, reduce financial distortions, and support the broader liberalization of the price system.

Key Indicators

- Annual inflation rate of the Consumer Price Index (CPI) and of core or underlying inflation.
- Dispersion of relative prices between formal and informal markets.

- Share of the CPI basket subject to regulated or capped prices (%).
- Nominal interest rate and real interest rate.

4. Unify Exchange Rates and the Foreign Exchange Market

Starting Point and Main Objectives

Correcting the exchange-rate regime is one of the most important early-stage reforms of this first phase. It is, in essence, also a price correction – but one involving one of the most strategic prices in the entire economy: the exchange rate. Adjusting it can generate greater inflationary pressure in the short term, and even episodes of instability, but these initial costs are difficult to avoid if the economy is to move toward an environment where market signals – reflected in the prices of goods and services, interest rates, and the exchange rate – function more coherently.

The stabilization phase would be guided by a nominal anchor of a monetary nature – that is, by controlling the issuance of Cuban pesos. To ensure this strategy works, the key element will be limiting and verifying the monetization of the fiscal deficit, since in the first phase the Central Bank will continue financing part of the deficit until a public debt market can be developed in the second phase. A nominal anchor focused on deficit monetization allows the exchange rate to be corrected, better reflect economic reality, and fulfill its role in resource reallocation. This monetary strategy must advance in parallel with price liberalization, higher interest rates, and greater market competition.

Exchange-rate unification is a tool for restoring coherence to economic incentives, improving resource allocation, and strengthening the competitiveness of domestic production.

A realistic exchange rate is indispensable for promoting exports, encouraging import substitution, and allowing activities with the greatest capacity to generate foreign exchange to expand, invest, and pay better wages. Exchange-rate reform should be understood as a tool for steering productive transformation. Correcting the exchange rate is a mechanism for reducing the anti-productive bias created by an overvalued currency. An artificially low exchange rate cheapens imports, penalizes exporters, and weakens domestic producers who could otherwise substitute for imports. A more devalued, realistic exchange rate, by contrast, improves the relative profitability of domestic production, strengthens the competitiveness of promising sectors, and helps direct labor, investment, and resources toward activities that generate or save

foreign exchange. It is also a necessary condition for correcting the economy's internal and external imbalances and beginning to curb dollarization.

As long as the Cuban peso is not convertible and continues to operate under overvalued, multiple exchange rates, it will keep losing ground to the dollar and to informal markets. This proposal does not call for full dollarization of the economy, since that would add further rigidities, could raise the social cost of adjustment, and would limit the ability to use exchange-rate policy as a tool for productive transformation. In an initial stage, a degree of partial dollarization could temporarily be maintained in some banking operations, foreign investment, or sectors linked to foreign trade, while the credibility of the banking system and the Cuban peso is gradually restored. However, a deepening of dollarization in transactions that directly affect household consumption should be avoided, since that could widen inequality.

Priority Measures

4.1. Bring Official Exchange Rates Closer to the More Realistic Reference Rates That Already Exist in the Economy

Unify the official exchange rates at the value that applies to the so-called Segment III of the formal exchange-rate mechanism in effect since December 2025. This would mean updating (devaluing) the official rates to bring them in line with the official exchange rate that operates under a daily managed float administered by the Central Bank and that sits very close to the informal exchange rate. This would be the most important initial exchange-rate adjustment. The correction should bring the remaining official rates closer to the signals that already guide actual purchase, sale, import, and remittance decisions today, as well as price formation in consumer markets.

4.2. Adopt a Transitional Managed-Float Exchange-Rate Regime

In this first phase, it is not proposed to move immediately to a fully free foreign-exchange market, given the insufficient depth of the financial market. The first phase proposes extending to the rest of the formal economy the exchange-rate mechanism that currently operates under the so-called Segment III. The managed float should continue to take its cues from the informal market during the stabilization phase, until that volume shifts over to the formal market.

4.3. Formalize Informal Foreign-Exchange Transactions

Authorize private currency exchange houses and private non-bank financial institutions to carry out foreign-exchange transactions and provide remittance services. Create an appropriate regulatory and supervisory framework for these activities.

Key Indicators

- Gap between the unified official exchange rate and the informal-market exchange rate.
- Volume of foreign-exchange transactions carried out in the formal market.
- Share of peso-denominated transactions versus dollarized transactions in the banking system.

II. Energy

5. Ensure the Essential Fuel Supply

Starting Point and Main Objectives

Fuel scarcity is a cross-cutting bottleneck for the Cuban economy. It affects power generation, transportation, logistics, agriculture, industry, water supply, and the state's capacity to respond to emergencies. Ensuring a minimum level of availability requires acting on two main fronts: diversifying suppliers and purchasing arrangements, and transforming the fuel value chain. These efforts should be underpinned by permanent management and monitoring mechanisms, such as an inventory registry by product and territory, minimum coverage benchmarks for priority uses, and periodic, transparent reporting on stocks and purchases.

The sustainability of this policy also depends on a stable financial base for imports, whether through a revolving fund, foreign-exchange revenue earmarked for this purpose, supplier credit, or financing from international financial institutions. In an economy that does not yet generate sufficient foreign exchange, this condition is indispensable for reducing dependence on one-off supply opportunities and for avoiding interruptions in the supply chain.

Priority Measures

5.1. Establish Temporary Supply Agreements with International Suppliers to Secure a Minimum Volume of Fuel for Essential Uses — Power Generation, Basic Transportation, Aviation Fuel, and Water Supply

Since the economy will not initially generate sufficient foreign-exchange revenue of its own, these contracts should be backed by emergency external financing, guarantees from international financial institutions, concessional credit lines, the stabilization fund, or payment mechanisms secured against clearly identified future revenue. Building a stable financing and payment mechanism for these imports will take time; the initial agreements should therefore be conceived as a bridge that secures supply while a permanent financial base is built.

This would help avoid severe supply interruptions while the energy infrastructure is rehabilitated, the fuel market is put in order, and a more stable financial base for imports is built.

5.2. Open the Fuel Import, Distribution, and Marketing Market, Subject to Appropriate Regulation

Eliminate the monopoly held by Cuba Petróleo (CUPET) over fuel imports, distribution, and marketing, and separate its commercial functions from its regulatory functions. To that end, a fuel-sector regulator will be created with functional and decision-making autonomy, independent of both CUPET's commercial operations and the sector-policy function of the Ministry of Energy and Mines. In the first phase, its functions will focus on granting licenses, overseeing technical standards and fuel quality, regulating access to essential infrastructure, and ensuring transparency of inventories, prices, and operations.

Under this framework, direct fuel imports will be permitted by state, private, cooperative, and mixed enterprises and other authorized operators, provided they meet requirements for traceability, safety, financial solvency, and tax compliance. This opening should facilitate the diversification of suppliers and purchasing arrangements — medium-term contracts, spot purchases on the international market, consignment, supplier credit, and supply agreements for specific uses — reducing dependence on a single source and expanding negotiating capacity.

The regulator should establish an information system that maintains updated, verifiable records of fuel inventories by product and territory, define reference coverage levels for power generation and other priority uses, and periodically publish aggregate information on stocks, imports, and days of coverage.

Key Indicators

- Days of fuel-inventory coverage for power generation and other priority uses, calculated as available physical stocks divided by reference daily consumption.
- Cumulative number of operators authorized to import, distribute, or market fuel.

6. Reduce the Electricity Deficit, Stabilize Supply, and Manage Demand

Starting Point and Main Objectives

The electricity crisis has become one of the main drivers of economic contraction and social deterioration. Prolonged blackouts reduce output, disrupt basic services, raise the cost of doing business, and feed a vicious circle in which the fall in activity worsens the energy crisis itself. The system operates with low generation availability, high deficits, and outages that affect most customers.

Effectively available generation capacity is insufficient. The deterioration of thermoelectric plants — most of them more than four decades old and low in efficiency — and of distributed generation units prevents their full use and proper load planning. The addition of photovoltaic capacity has not been matched by sufficient storage for grid integration. The result is a chronic deficit in which supply remains below demand.

The deficit, however, is not solely a supply problem. A considerable share of current consumption reflects inefficiencies — in generation, in the grid, and in end use — whose correction offers substantial room for improvement and cannot be solved simply by adding capacity. Any solution must therefore act simultaneously on supply and demand: without adequate price signals or demand management, part of the effort invested in the new generation is lost. Demand management can reduce the deficit at a much lower cost than installing new capacity, ease pressure on foreign exchange, and bring consumption into order gradually, without leaving households' basic consumption unprotected.

The country has prior experience with emergency solutions, including the contracting of floating power plants, which reduces technical uncertainty. These plants accept a range of fuels, which broadens supply options. The measures rest on two assumptions that determine their viability. First, that all emergency capacity is contracted through competitive, transparent processes, with published terms and standard contracts, which would help contain costs and preserve the program's credibility. Second, that contracted generation is backed by a payment mechanism and guarantees that make it financially viable.

This second assumption — a financially viable payment mechanism — already has partial support in the existing framework. Decree 110 of 2024 requires large consumers to cover 50% of their peak-hour consumption from renewable sources by 2028 at the latest. This obligation creates guaranteed demand for renewable capacity, but its only compliance routes — on-site self-generation or contracting capacity through the Unión Eléctrica (UNE) — keep the UNE as a mandatory intermediary and rule out competition among independent producers. Turning that captive demand into the basis for a competitive market of bilateral contracts is the purpose of measure 6.4. Eliminating the UNE's monopoly must be accompanied by the corresponding institutional changes.

Priority Measures

6.1. Contract and Deploy Dispatchable Emergency Generation Through Floating Power Plants and Other Available Technical Solutions

This measure would add capacity and reduce the generation deficit. To be sustainable and avoid locking in long-term dependence on fossil fuels, capacity will be contracted for a short time horizon, on the order of 24 to 36 months, with renewal or exit options. Adding capacity quickly would also help build the program's credibility, since a stabilization strategy that fails to produce visible results in the short term can lose political support and the ability to attract investment.

6.2. Rehabilitate Existing Facilities — Conventional Thermoelectric Plants and Distributed Generation Units

Recovering already-installed capacity costs substantially less and is faster than new construction, and can therefore deliver a high return in restored capacity per dollar invested in

the short term. A major rehabilitation and maintenance program will be carried out, prioritized by cost and speed of recovery, to raise the reliability of generation as quickly as possible.

This is a short-term transition measure: rehabilitating existing (brownfield) assets is less economically attractive than new (greenfield) investment and carries significant risks — including potential liability for pollution — so it should be limited to the units that can be recovered most quickly and cheaply, and phased out as new capacity comes online.

6.3. Improve the Quality of the Fuel Used in Power Generation

A significant share of thermal-plant unavailability stems from the use of low-quality fuel with high sulfur content and other contaminants, which accelerates plant corrosion and multiplies forced outages. Improving fuel quality through blending, treatment, additives, or the import of crude oil or lighter fuel would reduce breakdowns, extend the useful life of assets, and raise effective capacity without requiring new investment in generation.

This is a high-return measure conditioned on the availability of foreign exchange and, like the previous ones, transitional in nature. Over the longer term, natural gas could become part of a more efficient, less polluting generation mix, depending on its costs, availability, and supply viability.

6.4. Give Large Producers Direct Access to Independent Power Generation

This measure expands large consumers' supply options by allowing them to contract generation capacity bilaterally through financeable contracts that a private developer can use as loan collateral with a lender.

The regime should be explicitly distinguished, in both its name and its regulations, from the mechanism for selling surplus power from small-scale distributed generation — residential and small-business self-consumption — to avoid both being identified under the same label of "independent producer" despite operating at different scales and under different logics.

In this way, the measure turns demand that is already guaranteed by law into the basis for a competitive market, reduces fiscal pressure, and mobilizes capital and operators that would not otherwise participate.

6.5. Implement a Program to Reduce Losses in Transmission, Distribution, and Marketing

A significant share of the system's cost does not come from generation but from high technical losses and weaknesses in metering and billing, compounded by end-use consumption with wide margins of inefficiency. Every reduction in losses makes it possible to serve more demand with the same generation capacity. The program will combine the reduction of technical losses with the installation of metering systems at large loads and substations, which will also help improve demand management and facilitate the development of a market for buying and selling energy.

6.6. Gradually Update Tariffs for Industrial, Commercial, and Public-Sector Consumers, With Transitional Rationing

Demand management is part of stabilization. Tariffs for industrial, commercial, and public-sector consumers will be gradually updated until they progressively reflect the real costs of electricity supply, so that price takes on the role of ordering consumption across the economy. While that update is completed, transitional rationing will be maintained for these sectors, to be phased out as tariffs alone send the signal to conserve. Exceptions will be made for activities with an immediate capacity to generate foreign exchange. The guiding principle is that the adjustment should shift onto prices rather than depend permanently on administrative measures. The likely cost to output from rationing is acknowledged, but it must be accepted during this emergency phase.

Key Indicators

- Average daily hours of power-service disruption (blackouts) nationwide.
- Daily generation deficit (MW).
- Emergency generation capacity contracted and in operation (cumulative MW).
- Transmission and distribution losses as a percentage of energy supplied to the grid.

7. Expand the Deployment of Renewable Energy Sources, Especially Solar (with Storage), and Adjust Residential Tariffs

Starting Point and Main Objectives

Heavy dependence on imported fuel makes the electricity system a persistent source of macroeconomic vulnerability. Foreign-exchange strain, disruptions in external supply, and rising fuel costs translate into more blackouts, higher emergency spending, and greater constraints on productive activity. In this context, the expansion of renewable sources should be understood not only as energy policy, but also as a strategy for reducing external vulnerability and easing the foreign-exchange constraint.

Cuba has potential to advance in solar energy and storage, and investments are already under way. The challenge, however, is not simply to install more capacity, but to turn these investments into a coherent policy, with stable rules, clear priorities, and a real capacity for grid integration.

In the specific segment of distributed generation and self-consumption, the country has adopted, since 2026, a set of provisions that partially enable this mechanism. Micro, small, and medium enterprises, cooperatives, and individuals are permitted to generate and sell electricity from renewable sources; a February 2026 provision authorized, in addition to sales to the Unión Eléctrica, direct sales to third-party consumers; and Resolution 114/2026 set a surplus purchase tariff substantially higher than the one previously in effect, together with an exemption from the Services Tax on this income.

These provisions, however, have been introduced successively and at official discretion, without a guaranteed period of validity or a transparent tariff-review rule, which limits their ability to support medium-term investment decisions. Significant gaps also remain. The currency in which surplus payments are settled is not defined with sufficient precision, which can create a mismatch with investments made in foreign currency. Likewise, the connection procedure is handled through scattered channels with no binding response deadlines, and access to the mechanism is not uniform across the different types of authorized participants.

Priority Measures

7.1. Accelerate the Approval and Execution of Solar-Plus-Storage Projects, Both Existing Contracts and New Ones

The program to install photovoltaic solar generation capacity provides additional capacity in the short term, reduces external vulnerability, and lowers the weight of fossil fuels in the power mix.

Storage is essential for integrating a growing share of solar generation and for supporting grid stability. The expansion of solar generation should therefore be accompanied by storage capacity and by the grid reinforcement and modernization needed to integrate the new capacity.

7.2. Expand the Self-Consumption Regime, Allowing Surplus Power to Be Sold to the Grid

The country already authorizes individuals, micro, small, and medium enterprises, cooperatives, and state enterprises to install solar capacity for self-consumption, sell surpluses to the Unión Eléctrica or directly to third-party consumers, and access a set tariff exempt from the Services Tax. This measure does not create that possibility — which already exists — but consolidates the current provisions, today scattered and discretionary, into a single, stable regime.

To that end, a minimum period of validity will be guaranteed for the surplus purchase tariff and its associated tax treatment, with an update formula known in advance rather than changes made by administrative resolution. The currency for settling surplus payments will be precisely defined, or an exchange-rate indexation mechanism established, to eliminate the mismatch between investments made in foreign currency and compensation received in national currency. Likewise, connection and authorization channels will be unified into a single procedure with maximum response times, and access requirements will be standardized across individuals, private enterprises, cooperatives, state enterprises, and mixed or foreign capital.

In this way, the rule will enable private investment under clear, stable payment terms. By decentralizing investment, it complements public investment with private or mixed capital and channels savings toward solving bottlenecks — a significant feature in a context of severe fiscal constraint.

7.3. Apply New Residential Tariffs with a Protected Basic-Consumption Block

A protection scheme for residential electricity consumption will be established, based on a basic block at a reduced price applicable to all households, with the aim of guaranteeing access to an essential level of electricity. The design could take one of two forms. Under the first option, consumption within that block would keep the subsidized tariff, while additional consumption would be billed at rising tariffs closer to the real cost of supply. Under the second option, the subsidy would be preserved only for households whose total consumption does not

exceed the set threshold; once exceeded, all consumption for the period would be billed at market tariffs.

Both approaches aim to protect households with lower consumption levels, encourage energy savings, and strengthen incentives to invest in self-generation and efficiency. The choice and calibration of the scheme should avoid disproportionate effects on vulnerable households, progressively concentrate public support on those who need it most, and keep the fiscal cost within sustainable limits, in coordination with the subsidy-reform and social-protection measures set out under other objectives of the program.

Key Indicators

- Solar photovoltaic capacity with storage brought into operation (cumulative MW).
- Share of renewable sources in total electricity generation (%).
- Installed distributed-generation and self-consumption capacity from renewable sources (cumulative MW).

III. Priority Sectors: Agriculture and Tourism

Agriculture

8. Transform the Rules Governing Ownership, Tenure, and Management of Agricultural Land

Starting Point and Main Objectives

Cuba's agricultural model shows a marked mismatch between the ownership regime for agricultural land, its tenure structure and forms of management, and the impact these arrangements have on productive outcomes.

These measures seek to expand private-sector participation in the ownership and productive use of agricultural land, increase the area managed by private operators, and encourage enterprise-based forms of agricultural production. To that end, it is proposed that the agricultural system be reorganized around three categories: ownership, usufruct, and management.

Ownership: confers the full right to use, dispose of, and reclaim a parcel of land intended for agricultural, livestock, forestry, or mixed purposes, within the limits established by law. It may apply to any type of economic actor.

Usufruct: allows agricultural land to be used and worked either through a direct contract with the state or through certificates tradable in a secondary market, without the right to sell the land. It may apply to any type of economic actor.

Management: allows a party to administer, regulate the use of, improve, and work the land and its resources for productive purposes — agricultural, livestock, forestry, or mixed — without conferring full ownership or the right to sell. It centers on operational management, which may be carried out by owners, usufructuaries, or specialized enterprises, even when the latter hold neither an ownership nor a usufruct contract over the land.

In the initial stage, the ownership right is intended to give incentives to private producers and strengthen the stability and resilience of rural areas. Usufruct, for its part, seeks to quickly bring idle state land into production. Applying the management right favors the modernization of the agricultural sector and the development of economies of scale.

Transforming the regime for land access and management requires adequate financing mechanisms.

Priority Measures

8.1. Allow Private Legal Entities of Any Scale to Operate in Agriculture

Private agricultural enterprises — not limited to MSMEs — may be established at the request of existing private agricultural producers, whether owners, usufructuaries, or MSMEs linked to food supply chains, as well as new entrepreneurs.

This measure eases the transition of individual producers toward more scalable, professional enterprise forms, with the aim of improving food security and reducing imports. To that end, simplified, decentralized legal-registration procedures will be established, along with an expedited procedure for applicants with demonstrated short-term investment and technification capacity, and temporary profit-tax exemptions or reductions for enterprises that invest in irrigation, improved seeds, or productive conversion.

8.2. Extend Usufruct Contracts for Idle State Lands and Establish a Secondary Market for Usufruct Certificates

Usufruct contracts over state land will run for 50 years for individuals and legal entities, with renewals for an equal period and a maximum extension of 402 hectares (30 caballerías). Direct productive management of the land – understood as a broader category than mere "direct labor" – will be an indispensable condition for retaining usufruct.

For contracts over idle state land, "usufruct certificates" will be issued, tradable in a regulated secondary market that allows the usufruct right to be transferred, on condition that the certificate's acquirer can meet the direct-productive-management requirement through a management contract with an operator.

Affirmative-action measures will be adopted to ensure preferential access to usufruct and the productive use of land for women, young people, and people in vulnerable situations – including people with disabilities. These actions will promote their economic empowerment, reduce structural gaps, and contribute to a more equitable distribution of the reform's benefits.

8.3. Establish a Market for Buying and Selling Agricultural Land

Procedures will be simplified so that private owners can sell their land or acquire other land, including state land, up to a maximum of 402 hectares (30 caballerías) per holder, in order to prevent the concentration of ownership. This represents an expansion relative to Decree-Law 358 and a restriction relative to the June 2026 announcement of a shift to a usufruct model with indefinite duration and undefined area. This 402-hectare cap will not be cumulative across the ownership, usufruct, and management categories, and will apply to both individuals and legal entities. Usufructuaries may also purchase land. In all cases, private buyers may register the activity they carry out on the acquired land as an enterprise. Agricultural production cooperatives (CPAs) may purchase agricultural land from private owners and from the state.

8.4. Gradually Bring the State-Owned Land Managed by the Basic Units of Cooperative Production (UBPC) into the Agricultural Land Market

During the second year of the first phase, 50% of the 1.4 million hectares of state-owned agricultural land managed by the UBPCs will be brought into the market, making it eligible for

purchase and sale. The remaining 50% will be opened to purchase and sale in subsequent years. The reform will be gradual, predictable, and guided by positive incentives, not solely by liquidation criteria. The labor treatment of UBPC members will prioritize an orderly transition, with social protection and incentives for private and productive initiative. Their members will be able to move from being employees of a state-cooperative unit to producers with clear ownership or lease rights. To that end, a UBPC conversion rule will be approved establishing timelines, rights, and appeal mechanisms. The distribution of assets must avoid capture by elites or corruption, through the safeguards set out in measure 20.3.

8.5. Adopt a Hybrid Model of Agricultural Financing

A mixed institutional model will be created for financing agricultural development, made up of state banks — including the Agricultural Development Bank (BFA), administered mainly by the Bank of Credit and Commerce (BANDEC) — and rural credit unions, with international banks participating in financing large-scale projects in line with the regulatory and supervisory framework set out in measures 4.3 and 15.4.

Credit from state banks and international banks will finance large-scale projects, infrastructure, and medium and large enterprises. Rural credit unions, as savings-and-credit cooperatives supervised by the Central Bank, will serve individual producers, usufructuaries, cooperatives, and micro and small agricultural enterprises. This system would bring proximity, local knowledge of risk, financial inclusion, the mobilization of community savings, and greater agility than state banking.

Key Indicators

- Number of private agricultural enterprises established (legal entities).
- Share of idle agricultural land nationally and by province, and hectares granted in usufruct during the emergency phase, through direct contract with the state and through usufruct certificates traded in a secondary market. The land-granted-in-usufruct indicator should be broken down by sex and age.
- Share of agricultural land area under each type of tenure (state, private, usufruct, Credit and Service Cooperatives, CPAs, and UBPCs).
- Hectares of state-owned land managed by the UBPCs that have been sold.

- Credit extended to the agricultural sector by type of financial institution and type of beneficiary.

9. Promote Openness and Competition in Agricultural Markets

Starting Point and Main Objectives

The structural crisis in Cuba's agricultural model is also reflected in commercialization and price formation. Heavy state control, combined with regulated prices that do not cover production costs, has discouraged producers, helped restrict supply and drive up prices in non-state markets — to levels out of reach for much of the population — and generated arrears in state payments, with a resulting buildup of debt.

The liberalization of agricultural markets seeks to move, during the first phase, toward a model based on prices set by supply and demand.

The proposed model seeks to optimize production, stimulate supply, and respond better to consumer needs. It also seeks to reduce the distortions arising from excessive state intervention, foster greater food availability, moderate pressure on food prices, and strengthen national food security.

This approach does not mean an unregulated market, but one governed by clear, simple rules, in which the state acts as facilitator, regulator, and competitive buyer, not as central price planner.

Among the model's core principles are prices freely agreed among producers, intermediaries, and buyers, without administrative price caps except for minimal, temporary exceptions. These prices will reflect actual production costs, scarcity, quality, seasonality, and effective demand.

All producers — agricultural and non-agricultural cooperatives, MSMEs, large domestic, foreign, or mixed private enterprises, other private producers, usufructuaries, and state enterprises — would operate on equal terms. MSMEs, large domestic, foreign, or mixed private enterprises, cooperatives, and other private actors will be allowed to participate in wholesale collection, processing, transportation, and distribution. Direct sales from producers to consumers, to tourism, and for export — subject to the corresponding sanitary and phytosanitary regulations — and through digital platforms are also authorized.

The transition to the new model would be applied gradually to avoid shocks, accompanied by access to foreign exchange for inputs, clarity on property and land-tenure rights, well-defined contracts, and a legal framework for resolving disputes.

Priority Measures

9.1. Gradually Eliminate the State Procurement Quota and Replace Mandatory Contracts with Voluntary Contracts with the State at Market Prices

State purchases will take place through transparent tenders to supply goods for social consumption, such as schools and hospitals, under a competitive scheme with no monopoly. National and local regulation would focus on food safety, fair competition, traceability, and the prevention of monopolistic practices.

The application of this measure regarding free price formation in agricultural markets will be deferred, as an exception, for food channeled through the state procurement quota to a limited number of destinations with high social impact, such as schools, hospitals, and vulnerable people and households. In the short term, the human, social, and political cost of leaving these groups without food protection outweighs the efficiency benefits of the market. This is a measure of prudence given the current fragility of Cuba's productive system, allowing gradual market incentives to be combined with a basic safety net.

9.2. Create Physical Regional Wholesale Markets in Each Province or Producing Area, Operating by Auction or Free Negotiation

Retail markets — fairs, points of sale, and street vendors (carretilleros) — must be allowed to operate without excessive restrictions on location or quotas.

9.3. Authorize Direct Imports and Exports by Producers and Traders, with Temporary Declining Tariffs to Protect Domestic Production

These tariffs will aim to safeguard food security, preserve rural employment, and give Cuban producers time to raise their productivity and competitiveness. They will be applied selectively by product, in a transparent and non-discriminatory way among operators or origins in equivalent situations, with priority for strategic sectors such as rice, staple grains, livestock, and vegetables. For products that are simultaneously final consumer goods and inputs for the food

industry, the applicable tariff will be the one for foodstuffs rather than the one for intermediate goods (with a 0% ad valorem tariff) covered under measure 14.2.

They will also be subject to periodic review and to a gradual phase-out schedule announced in advance, in order to avoid prolonged distortions, protect consumers, and drive technological modernization and efficiency in the sector. In this way, the aim is to reconcile trade openness with food security, the recovery of domestic production, and rural development.

9.4. Implement Emergency Measures to Boost Production in the Short Term

Priority will be given to the short-cycle planting program – rice, beans, root vegetables, and other produce – through the rapid delivery of essential inputs such as fuel, fertilizer, and seeds. Producers who export or sell to the state's foreign-currency retail network will be paid in foreign currency. The modernization of irrigation systems in key productive areas will also be promoted.

9.5. Deploy Digital Trading Infrastructure — E-Commerce Platforms, Price Information, and Futures Contracts — Built on the Wholesale Markets in Measure 9.2

This measure will strengthen transparency, reduce information asymmetries, and enable better coordination between supply and demand, forming a key pillar of the transition toward a more efficient, market-oriented agri-food system.

9.6. Create Fiscal and Tariff Incentives for Investment in Agricultural Infrastructure to Raise the Competitiveness of Production

These incentives will be directed, among other purposes, toward developing irrigation systems, storage facilities, and road and logistics infrastructure.

Key Indicators

- Share of agricultural production sold under voluntary contracts at market prices.
- Number of operating wholesale markets with free transactions, and transaction volume in retail markets (tons and value).
- Volume of direct imports by non-state enterprises, and the weighted average applied tariff rate (declining).

- Year-on-year change in physical output in priority sectors (food, basic inputs).
- Monthly active users and value traded on digital platforms; and the amount of private investment benefiting from incentives (in millions of CUP or USD). Measurable starting in the third year.

Tourism

10. Stimulate the Recovery of International Tourism

Starting Point and Main Objectives

Cuba ended 2025 with more than 84,000 hotel rooms,⁶ but an occupancy rate of only 19%: close to eight out of every ten rooms sat empty. This gap reflects the sharp decline in international demand — from a peak of 4.7 million visitors in 2018 to 1.8 million in 2025⁷ — against a supply that kept growing. Compounding this is the energy constraint, which matters especially for an activity that is energy-intensive: shortages of fuel and firm generation affect air connectivity, transportation, air conditioning, and service reliability, so that even a rapid recovery in demand would run into this bottleneck.

Even so, tourism remains one of Cuba's most important strategic assets: in a scenario of significant external easing, it is probably the only sector with installed capacity able to respond quickly to a recovery in demand, making it the clearest path to increasing foreign-exchange generation in the short and medium term.

Its pull on the rest of the economy would grow with the removal of restrictions on private-sector participation as a direct tourism supplier, the liberalization of agriculture, and any easing of the sanctions that affect the sector.

Priority Measures

10.1. Reposition Cuba as a Destination and Diversify Source Markets

A repositioning strategy for Cuba as a destination will be designed, adjusted to actual operating conditions. The strategy will seek to reduce dependence on traditional source markets by

⁶Prensa Latina, "Growing Anticipation for Cuba's International Tourism Fair," Portal Cuba, March 13, 2025.

⁷National Statistics and Information Office (ONEI), Anuario Estadístico de Cuba 2024 (Havana: ONEI, 2025); ONEI, Turismo: Indicadores seleccionados, enero-diciembre 2025 (Havana: ONEI, March 2026).

diversifying toward markets that have shown more dynamism in recent years, while also exploring the gradual revival of flows from the United States in scenarios where restrictions ease.

The measure includes simplifying entry procedures, renegotiating air-connectivity agreements with regional airlines, adjusting pricing policy, and facilitating hotel-management and leasing contracts, taking into account actual occupancy and demand conditions.

10.2. Ensure a Stable Energy Supply to the Main Tourist Hubs and Expand Their Capacity for Renewable Self-Consumption

Mechanisms will be established to ensure a stable energy supply to the tourist hubs with the greatest concentration of installed capacity – Varadero, the northern keys, and Havana – taking into account their capacity to generate foreign exchange and in coordination with this program's emergency-generation measures and the deployment of renewables and storage.

The measure includes accelerating solar self-consumption and storage projects at hotel facilities, partly financeable through the sector's own foreign-exchange generation. Tourism facilities should progressively increase the share of their consumption covered by their own generation and storage, under the self-consumption and surplus-sale regulatory framework proposed for the national electricity system.

10.3. Strengthen the Links Between Tourism and Domestic Suppliers

Direct contracting will be enabled between tourism facilities and private producers, agricultural cooperatives, MSMEs, and other domestic private and state enterprises, with payments made at a market exchange rate. The measure includes holding periodic trade fairs, advance demand planning, and support for supplier quality certification.

Key Indicators

- Average occupancy rate.
- International visitor arrivals.
- Share of purchases from domestic suppliers in tourism facilities' total spending (%).
- Gross and net revenue from international tourism, and average revenue per visitor.

IV. Property and Enterprise Transformation

11. Remove Restrictions on the Creation and Growth of Private Enterprise

Starting Point and Main Objectives

The inability of a heavily statized Cuban economy to generate sustained growth, raise productivity, and meet domestic demand points to the need to transform the institutional framework in which enterprises operate and, in particular, to expand the role of private enterprise as an engine of investment, innovation, and job creation. Greater private-sector participation can attract capital and technology, generate employment, and increase the supply of goods and services, translating into higher economic growth.

Cuba's private sector has emerged in recent years as a key actor amid the country's economic crisis. Between 2010 and 2023, the number of self-employed workers nearly quadrupled, and the non-state sector as a whole — including cooperatives and farmers — came to employ just over 1.6 million people, more than the number employed by state enterprises.⁸ Since micro, small, and medium enterprises (MSMEs) were authorized in August 2021, around ten thousand private enterprises have been created,⁹ concentrated mainly in manufacturing, construction, and accommodation and food services.

Since 2010, the private sector has generated more than 600,000 jobs, accounts for close to a third of the employed population, and currently contributes approximately 15% of GDP.¹⁰ It also accounts for close to 60% of retail trade and has taken on a decisive role in imports, which exceeded \$2 billion in 2025.¹¹ Some of these imports have replaced goods that were previously distributed through the ration book.

The private sector's recent trajectory shows that its expansion and liberalization are a practical necessity for the country's economic recovery. Its record on job creation, its contribution to GDP, and its tax contributions confirm its importance as an engine of economic growth.

Priority Measures

⁸National Statistics and Information Office (ONEI), Anuario Estadístico de Cuba 2024 (Havana: ONEI, 2025).

⁹National Statistics and Information Office (ONEI), Organización institucional: diciembre de 2025 (Havana: ONEI, 2025).

¹⁰Ricardo Torres, Cuba's Private Sector: Pressure Valve or Engine of Development? (Washington, DC: Cuba Study Group, September 2025), p. 18.

¹¹Ibid.

11.1. Eliminate the Restrictions That Limit Private Enterprise's Participation in the National Economy

The general prohibitions and restrictions that prevent or limit private enterprise's participation in productive and service activities will be eliminated, with the exception of those that the law expressly reserves to the state for reasons of national security or its responsibility for providing certain essential public services.

11.2. Simplify and Make More Transparent the Registration and Establishment of Private Enterprises

The current practice of discretionary authorizations for creating private enterprises will be eliminated and replaced with a general commercial-registration system. This will be coordinated with the simplification of procedures provided for in measure 20.4.

11.3. Establish a Regulatory Framework That Supports MSMEs, with Tax Incentives

Temporary tax exemptions or reductions will be established for newly created enterprises for a period of one to two years, and the necessary tax adjustments will be introduced to, at a minimum, put the domestic private sector on equal footing with the treatment given to foreign investment.

Key Indicators

- Average time to register an enterprise (days).
- Time and cost to obtain construction, environmental, and operating permits.
- Number of private enterprises created and number of private enterprises closed during the period.
- Private sector's contribution to GDP (%) and to employment, and its growth rate.
- Growth rate of private employment, including MSMEs.

12. Reorganize the State Enterprise System: Financial Discipline, Restructuring, Orderly Exit of Nonviable Enterprises, and the Groundwork for Privatization

Starting Point and Main Objectives

Cuba's state enterprise system is hypertrophied, and a share of its entities operate with recurring losses, low transparency, and weak financial discipline. One of the central causes is the persistence of a soft budget constraint: enterprises expect that even if they fail, they will be bailed out. As long as that expectation persists, there will be no incentive to operate efficiently, and the problem will keep draining fiscal resources, depressing productivity, and blocking the reallocation of factors of production.

That expectation needs to change, and, in addition, a common set of criteria is needed to distinguish among viable enterprises, restructurable ones, those that should remain in place for public-service reasons, and those that should be closed and liquidated in an orderly way. On that basis, the relationship between the state and enterprises will need to be redefined.

A reliable viability assessment will only be possible after the exchange rate and relative prices have been corrected. With administered prices and a distorted exchange rate, an enterprise can appear nonviable simply because prices fail to reflect costs or scarcity. Assessing viability before that correction produces mistaken classifications and closure decisions that are unfair or inefficient.

Privatization, moreover, should not get ahead of market institutions. When privatization — especially at large scale — is carried out before an adequate institutional framework is in place, it raises the risk of asset capture by privileged groups and of corruption. The privatization process is also unfolding under an external legal framework reshaped by 2026 rulings of the U.S. Supreme Court.¹² In this new context, assets confiscated after 1959 may carry ongoing legal exposure tied to claims over that property, regardless of how much time has passed or how ownership has changed, and their subsequent commercial use can expose whoever uses them to lawsuits in U.S. courts.

The Cuban government has already created the National Institute of State Enterprise Assets (INAEES). For purposes of this objective, INAEES is conceived as the body that exercises the state's ownership function (and others as needed) over state enterprises: it carries out the inventory, validates the classifications, and conducts the processes in its capacity as owner.

The sale of state assets and partial privatization could also help finance the economic adjustment starting in the first phase. If carried out under clear rules, transparent valuation,

¹²These are the cases *Havana Docks Corp. v. Royal Caribbean Cruises* and *Exxon Mobil v. Corporación CIMEX*. The rulings raise the legal risk for state enterprises by making it easier to bring new lawsuits in U.S. courts.

open tenders, and independent oversight, this revenue can become an important source of funding to sustain social policy, compensate workers affected by enterprise restructuring, and protect the most vulnerable groups during the transition.

The transformation of the state enterprise system should follow a coherent sequence. Correcting relative prices and the exchange rate beforehand will allow for a more reliable assessment of enterprise viability. Based on that assessment, the appropriate options – restructuring, continuation, merger, transfer, or orderly exit – can be defined case by case. Enterprises that remain under state ownership should move toward corporatization¹³ and operate under sound corporate-governance rules, while privatization processes will proceed according to previously established principles and procedures. This sequence seeks to avoid premature decisions, preserve public assets, and ensure that restructuring the enterprise system contributes to a more efficient allocation of resources.

Priority Measures

12.1. Tighten the Budget Constraint on State Enterprises

It will be established from the outset that no enterprise will automatically receive transfers, guarantees, preferential refinancing, debt forgiveness, subsidies, or tolerance of tax or interenterprise arrears. Any support must be explicit, temporary, quantified, and conditioned on an approved plan. Automatic bailouts of operating losses will be excluded.

12.2. Carry Out an Inventory and Viability Assessment

A consolidated inventory will be compiled and a common assessment applied, covering: losses, cash flow, explicit and implicit subsidies, strategic character under the criteria set out in measure 12.7, transferable assets, liabilities, level of exposure to claims (see Objective 17), and labor situation.

The assessment will be carried out once price and exchange-rate reform allow real market signals to be read. Enterprises will be classified as: (i) potentially viable through internal restructuring; (ii) viable only under an explicit public-service contract; (iii) suitable for merger or transfer; or (iv) nonviable, subject to closure and orderly liquidation. In the first stage, priority will be given to enterprises with losses or a high dependence on transfers.

¹³Conversion into a joint-stock company.

12.3. Establish a Legal Insolvency Framework and an Orderly Exit Mechanism for Nonviable Enterprises

A rule will be approved setting out clear insolvency provisions and providing for two distinct tracks. The first is reorganization, with temporary protection from creditors, for enterprises classified as potentially viable under measure 12.2. If the reorganization plan is not met, the process automatically converts into liquidation. The second is the direct liquidation of nonviable enterprises, which may include, as appropriate, their merger, transfer, closure, and orderly liquidation. The rule must also establish the treatment of creditors and unpaid debt. INAEES will conduct these processes in its capacity as owner: it will validate the classification, coordinate the orderly exit of the nonviable enterprises identified under measure 12.2, and certify compliance with the criteria set out in measure 12.1 for granting transitional support, which the corresponding ministry will approve.

The treatment of assets and liabilities must be governed by transparent procedures that prevent liquidation from becoming a mechanism for the opaque transfer of public wealth.

12.4. Subject the Remaining State Enterprises to Sound Corporate-Governance Standards

Enterprises that continue operating will be subject to the corporate-governance principles recommended by the Organisation for Economic Co-operation and Development (OECD): a uniform legal form and clearly defined assets, with capital represented in shares and an ownership registry, even where those shares are not yet tradable; a clear separation between the ownership function — exercised by INAEES — and regulatory and policy-making functions; genuine operational autonomy, free of political interference in management; professional, competent boards of directors, with rules on conflicts of interest and nomination processes that are transparent, merit-based, and exclude sitting political officials able to influence the enterprise; financing without privileges, on equal competitive terms with private enterprises; equitable treatment of minority shareholders, including the worker-shareholders under measure 12.6, in the face of decisions that could dilute their stake; and financial-transparency and reporting obligations under a common, comparable accounting standard subject to external audit.

As part of each enterprise's corporatization, an audited exposure certificate will be issued documenting whether it operates assets included in the claims registry (see Objective 17) and what share of its assets that represents.

Any enterprise that remains in place for public-service reasons must have an explicit mandate, identified costs, and budgetary compensation defined through a public-service contract. Losses from commercial activity may not be presented as a social cost.

The Higher Business Management Organizations (OSDEs) must be eliminated as a layer of management. An exception will be made for enterprise groups whose technological or network integration justifies joint management, based on verifiable technical criteria.

12.5. Adopt the Principles of Privatization

Every transfer of an enterprise to the private sector must be governed by a set of principles fixed in advance, applicable in full to large-scale transactions and, with respect to integrity and the prevention of capture, to small-scale transactions as well. Each transaction must have a clearly defined objective and not be limited to raising revenue. It must also include a commitment to new investment aimed at modernizing and expanding productive capacity. Before a sale proceeds, adequate conditions of competition and regulation must be in place, especially in concentrated sectors, and it must be decided explicitly whether the enterprise will be restructured before privatization or transferred as is.

The process must rely on an independent valuation and proceed through transparent, competitive procedures, in order to avoid below-value sales and preferential treatment. Valuation must be grounded in technical standards and carried out by accredited professionals, rather than following ad hoc criteria defined for each transaction.

Integrity rules must also be established to prevent asset capture, including a prohibition on managers acquiring the assets they themselves administer. Property claims and inherited liabilities must receive predictable treatment known in advance.

12.6. Establish the Framework for Privatization

Mechanisms will differ according to the size of the enterprise, risk, and the level of exposure to claims (see Objective 17):

- **Small scale (fewer than 100 workers): expedited.** Auction, direct sale, lease, or purchase by employees and outside managers, with simplified procedures. These procedures require less institutional capacity and carry more contained risks. Excluded are enterprises in strategic sectors or essential public services, as well as those with risks requiring complex assessment or high exposure to claims.
- **Large scale: deferred and case-by-case.** Up to 20% of shares will be reserved for workers, as a minority stake that does not discourage other investors. These shares will be offered at a preferential price based on seniority, salary, and job category, and may be partially financed through soft loans. They will be held in trust and may only be traded after a minimum period of five years.¹⁴ Worker-shareholders will have minority representation on the board of directors, the right to participate in the general shareholders' meeting, and full access to management information. In addition, their job stability will be guaranteed for the period after privatization set by law. This guarantee will be complemented by a protection package against layoffs arising solely from privatization, which will include the same components provided for in measure 18.1.

12.7. Define the Criteria for Determining Where a State Enterprise Presence Should Be Maintained

To that end, the following three areas are proposed:

- 1. Natural monopolies — electricity transmission and distribution networks, water and sanitation, gas pipelines, and railways — where duplicating infrastructure would be inefficient. The rule is to separate the network, which constitutes the natural monopoly, from the activities that can be opened to competition. The state retains the network and opens the rest to competition. Private operation of a natural monopoly requires an independent regulator with effective oversight capacity.
- 2. Public services whose quality cannot be adequately guaranteed through contracts. Where the state can set public-service obligations and finance the activity without operating it directly, the rule will be to contract out or regulate, and to retain state ownership only where these mechanisms cannot adequately guarantee service delivery.

¹⁴Tradability is contingent on the development of a securities market.

- 3. Clearly defined strategic or security objectives. This must be a narrow category, one that cannot be used to justify a state presence in just any business activity. A state presence could, for example, be maintained in certain areas of finance, such as development banking.

The scope of public ownership is not fixed: each case must be justified, reviewed periodically, and adjusted once the reasons that supported a state ownership presence no longer apply.

Key Indicators

- Share of all state enterprises assessed and classified.
- Reduction in support provided to loss-making enterprises (% of GDP or of public spending).
- Number and share of nonviable enterprises undergoing orderly closure or liquidation.
- Balance of interenterprise and tax arrears owed by state enterprises (% of GDP).
- Amount of public guarantees, refinancing, and debt forgiveness granted to state enterprises (% of GDP).
- Number and share of state enterprises corporatized under the adopted corporate-governance guidelines.
- Workers displaced, relocated, or retrained.
- Number of privatization transactions completed through competitive, transparent procedures.

13. Break Up GAESA and Transfer Its Enterprises, Assets, and Resources to Civilian Institutions

Starting Point and Main Objectives

An especially complex component of the first phase of reforms is how to handle GAESA. Given this conglomerate's weight in strategic sectors of the Cuban economy — including the financial system, tourism, foreign trade, and control over international reserves — it is not feasible to design a stabilization phase that leaves it untouched.

Available information suggests that GAESA controls a very significant share of the economy, concentrates substantial financial resources, and operates outside the ordinary mechanisms of oversight, auditing, and accountability. If the reforms are to have macroeconomic credibility, productive coherence, and social legitimacy, it will be necessary to move forward with breaking it up, eliminating its monopoly positions, and transferring its enterprises, assets, and resources to civilian structures subject to transparent oversight and accountability mechanisms.

In the absence of abundant exportable natural resources, a significant share of the infrastructure and of the sectors with the greatest capacity to attract international capital is currently under GAESA's control. Restructuring the conglomerate is therefore a key piece of the economic transformation and could help create favorable conditions for normalizing economic relations with the United States and for greater external openness of the economy. This process should preserve the principle of diversifying trade and investment partners and international alliances.

Restructuring GAESA should also allow for the selective incorporation of some of its enterprises and assets into privatization and state-asset-sale processes. Given the volume of resources, infrastructure, enterprises, and capital goods under its control, part of these assets could help generate extraordinary revenue to finance temporary social policies and offset the adjustment costs associated with the reforms. At the same time, transferring certain enterprises and assets to civilian institutions, and selling or assigning others to domestic private enterprises, cooperatives, mixed enterprises, and other investors, could broaden access to infrastructure, equipment, premises, logistical capacity, and productive capital needed to boost supply and strengthen the growth of the domestic private sector.

Both processes must be carried out with strict standards of transparency, proper asset valuation, and accountability, to prevent the breakup of the conglomerate from turning into an opaque transfer of public wealth to groups with privileged access.

The breakup and transfer of GAESA must be subject, as applicable, to the same principles of assessment, corporatization, restructuring, privatization, transparency, and protection of public assets established for the state enterprise system as a whole.

Priority Measures

13.1. Break Up GAESA's Monopoly Structure and Transfer Its Enterprises and Operations to Civilian Structures Open to Competition

In the first phase, the enterprises, assets, and operations currently controlled by GAESA will be transferred, depending on their nature, to civilian institutions, corporatized state enterprises, or other structures subject to civilian regulation, public oversight, and accountability. The process must dismantle military institutions' control over these activities and prevent the conglomerate from reconstituting itself in a new monopolistic form, through openness to competition and greater participation by the domestic private sector and foreign investment.

13.2. Integrate GAESA's Resources into the State Budget and Develop a Transparent Process for the Selective Sale of Assets

Enterprises currently controlled by GAESA will contribute to the State Budget through taxes, dividends, transfers, or other extraordinary fiscal-consolidation mechanisms, so that these resources can be allocated transparently to economic and social emergency priorities. At the same time, an orderly, selective, and transparent process will begin for selling state assets currently under these enterprises' control to foreign investors, domestic private enterprises, cooperatives, and mixed enterprises.

Revenue from asset sales must feed into the stabilization fund, intended to finance temporary social policies, protect the income of pensioners and public-sector salaried workers, compensate workers affected by enterprise restructuring, and cushion the social costs of adjustment. This process will help reduce the transition's burden on households while redirecting resources toward energy, agriculture, transportation, health, and basic infrastructure.

13.3. Transfer to the Central Bank the International Reserves and Other Foreign-Currency Holdings That GAESA Currently Retains

International reserves that are outside the Central Bank's control must be transferred to the monetary authority. Other foreign-currency holdings currently controlled by GAESA must be identified, registered, and made subject to transparent rules determining their treatment according to their nature and ownership.

Concentrating international reserves under the Central Bank's control is indispensable for backing monetary and exchange-rate policy, intervening in the foreign-exchange market, meeting external obligations, and strengthening the capacity to respond to financial crises.

Key Indicators

- Estimated share of GAESA-controlled enterprises in GDP and in total exports.
- Number and value of assets, enterprises, and operations transferred from GAESA to civilian structures.
- Tax revenue and dividends from formerly GAESA-controlled enterprises integrated into the State Budget.
- Amount of international reserves transferred to the Central Bank, and other foreign-currency holdings identified and registered.

V. External Integration and International Financing

14. Promote External Trade Openness and Export Development

Starting Point and Main Objectives

The open character of the Cuban economy gives crucial importance to the country's international economic integration. The collapse of the export sectors and of domestic production has raised import needs and increased external vulnerability, at a time of strong external pressures and very limited access to international financing.

The contraction of exports of goods and services in real terms, combined with the country's limited capacity to attract financing and foreign investment, severely restricts the foreign exchange available to finance imports. This constraint is especially severe because of the deterioration of domestic production, which has reduced the capacity for import substitution and increased dependence on inputs, capital goods, and final products from abroad.

It is therefore essential to adopt measures that improve the country's conditions for international economic integration through greater external trade openness while, at the same time, supporting the recovery of domestic production and its integration into global value chains.

The state monopoly over foreign trade has historically served as a mechanism of state control over external commercial activity and access to foreign exchange, but it has also generated significant inefficiencies. These include a disconnect between producers and international markets, higher transaction costs, slow processes, deteriorating service quality, inefficient allocation of foreign exchange, and a high degree of bureaucratic discretion.

Eliminating the state monopoly over foreign trade, along with the regulations that create unnecessary barriers and expand bureaucratic discretion in foreign trade operations, is essential for facilitating Cuba's more efficient reinsertion into the global economy.

Trade openness should help reduce costs, broaden access to inputs and capital goods, and strengthen the international integration of Cuban enterprises, without ruling out the selective, transparent, and temporary use of trade-policy instruments to facilitate the adaptation and recovery of sectors with productive potential.

Priority Measures

14.1. Eliminate the Foreign Trade Monopoly

Enterprises, regardless of their form of ownership, will be able to export and import directly or use the services of specialized enterprises of their choice. To that end, restrictions on the establishment and operation of private enterprises that compete with state enterprises in providing commercial and logistics services linked to foreign trade will be eliminated.

Discretionary authorizations will also be replaced with general registration procedures, administrative mechanisms for allocating foreign exchange for commercial operations will be eliminated, and enterprises, regardless of their form of ownership, will be guaranteed access to a legal, transparent foreign-exchange market.

14.2. Eliminate Import Tariffs on Capital Goods, on Intermediate Goods Not Produced Domestically, and on Intermediate Goods Used in Export-Oriented Production

With the aim of stimulating domestic production of final goods and reducing production costs, a 0% ad valorem tariff will be applied to imports of capital goods and of intermediate goods not

produced domestically and of those intended for the production of exportable goods. No specific tariffs will be applied to these imports either.

These goods will be identified using public, transparent criteria subject to periodic review.

Excluded from this zero-tariff regime would be agricultural products subject to the transitional tariff protection established under measure 9.3 (rice, staple grains, live cattle and meat products, vegetables, and other priority products to be defined), even when imported for use as an input in the production of exportable goods. In these cases, support for exportable production will be channeled exclusively through a temporary-admission regime for inward processing, subject to: (i) customs traceability of the imported input through to the final exported good, (ii) physical and documentary verification that the product is not destined for the domestic market, and (iii) re-export or certified incorporation into the exportable good within a set deadline. The customs authority and the governing body for foreign trade will jointly establish the control mechanisms needed to prevent this route from being used to circumvent the tariff protection set out in measure 9.3.

14.3. Simplify Customs Procedures and Reduce Non-Tariff Barriers to Trade

A Foreign Trade Single Window will be created to allow export- and import-related procedures to be carried out electronically. This mechanism should reduce processing times, allow documents to be submitted only once, and avoid duplicate procedures across different agencies. Procedures should be progressively digitized and incorporate electronic payments, invoices, signatures, and certificates.

The number of documents required for foreign trade operations should be reduced to a minimum. As a general rule, documentary requirements will be limited to the commercial invoice, transport documents, the customs declaration, and any specific certificates or licenses required for duly justified sanitary, phytosanitary, environmental, security, or other reasons.

14.4. Promote Exports by Removing Regulatory Obstacles, Easing Access to International Markets, and Strengthening Export Capacity

Administrative restrictions that limit the export activity of enterprises of any form of ownership will be eliminated, and their direct access to international markets will be facilitated. Cuban enterprises' participation in global value chains will also be promoted through trade-information

programs, quality certification, market intelligence, trade promotion, and support for the internationalization of small and medium enterprises. These actions should be developed according to principles of competitive neutrality, avoiding discriminatory treatment among state, private, cooperative, or mixed enterprises.

Key Indicators

- Number and share of enterprises directly engaged in foreign trade operations.
- Number of new exporters and importers per year.
- Share of non-traditional exports and of the private sector in total exports.
- Average time and cost of customs procedures for exporting and importing.

15. Facilitate Foreign Investment Through Regulatory, Financial, Productive, and Labor-Market Openness, and by Strengthening Legal Certainty

Starting Point and Main Objectives

Foreign investment can play an important role in Cuba's economic recovery by contributing capital, technology, market access, management capacity, and new employment opportunities. Its expansion, however, is constrained by a regulatory framework marked by discretionary authorizations, complex and lengthy procedures, restrictions on labor hiring, insufficient financing mechanisms, and weak guarantees for dispute resolution.

The first phase should focus on reducing these barriers and establishing minimum conditions of confidence, predictability, and legal certainty to revive investment flows. Opening up to foreign investment should facilitate both the entry of new investors and greater integration between foreign capital and the domestic economy, through productive linkages, technology transfer, job creation, and export expansion.

Direct hiring of workers is an important dimension of this opening. Eliminating mandatory intermediation by state agencies would allow for a more transparent relationship between employers and workers, reduce intermediation costs, and could improve wages, labor incentives, and productivity. Higher labor income could, in turn, support consumption, savings, and the creation of new ventures.

Foreign investment policy should seek greater geographic diversity among partners and investors, so that Cuba does not become excessively dependent on a single market, country, or economic bloc. Diversifying external ties would help reduce vulnerabilities, broaden sources of financing, technology, and demand, and strengthen the resilience of the country's international integration.

In this first phase, the priority will be to reduce entry and operating barriers that can be changed relatively quickly, improve the predictability of the regulatory framework, and create transitional mechanisms for legal certainty and financing, without attempting to complete a comprehensive reform of the foreign investment regime.

Priority Measures

15.1. Simplify and Make More Transparent the Registration and Establishment of Companies with Foreign Investment

Discretionary authorizations for establishing companies with foreign capital in activities not subject to restrictions expressly set out by law will be eliminated and replaced with a general commercial-registration system.

15.2. Simplify and Differentiate Approval Procedures for Foreign Investment Projects by Scale and Complexity

Large foreign investment projects subject to restrictions established by law will be evaluated through transparent procedures consistent with international best practice. The law will establish differentiated procedures, based on scale and complexity as it defines them, for cases requiring approval. Approval of the investment project is distinct from, and independent of, the corporate formation governed by the general registry provided for in measure 15.1.

15.3. Promote Special Economic Zones and Industrial Parks with Favorable Conditions for Investment and Production

The development of special economic zones and industrial parks with favorable fiscal, regulatory, and labor conditions for investment and production, particularly export-oriented production, will be promoted. These areas should foster linkages with domestic suppliers,

technology transfer, and integration into global value chains, avoiding their operation as enclaves disconnected from the rest of the domestic economy.

15.4. Open Foreign Investment in Non-Bank Financial Institutions and Develop a Regulatory Framework for Offshore Banking

Foreign capital participation in non-bank financial institutions will be permitted, and a specific regulatory framework for offshore banking operations will be developed, in order to facilitate access to international financing and foreign trade operations. These activities will be subject to prudential supervision standards, transparency requirements, and measures to prevent money laundering and other illicit financial flows.

The design of this regime will conform to the standards of the Financial Action Task Force (FATF) and will be coordinated with the financial-reinsertion processes provided for under Objective 16 and with the anti-money-laundering strategy in measure 20.5.

15.5. Establish Transitional Mechanisms for Arbitration and the Settlement of Trade and Investment Disputes

Cuba has been a party, since 1975, to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, with reciprocity and commerciality reservations. The scope of these reservations should be reviewed, and judicial procedures for recognizing and enforcing foreign awards should be strengthened. Accession to the Convention on the International Centre for Settlement of Investment Disputes (ICSID) will also be evaluated. These mechanisms should offer transitional guarantees of legal certainty while the domestic institutions responsible for resolving trade and investment disputes are strengthened.

15.6. Ease Hiring Rules for Foreign Enterprises and Investors

Employment agencies will cease to be mandatory intermediaries and will instead become one option among different hiring arrangements. Direct hiring of workers will be authorized, along with the operation of private and mixed employment agencies alongside state ones. Wages and other compensation owed to workers hired by foreign enterprises or embassies will be paid directly to the worker.

Key Indicators

- Annual foreign direct investment flows and number of new projects approved or registered.
- Average time to register or approve foreign investment projects, by scale.
- Number and share of foreign-invested enterprises using direct labor contracting.
- Direct employment generated by foreign-invested enterprises.
- Share of purchases from domestic suppliers in the total procurement of foreign-invested enterprises.

16. Begin the Process of Reinserting Cuba into the International Financial System

Starting Point and Main Objectives

Cuba took part in the 1944 Bretton Woods Conference and was one of the original members of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). The Cuban government, however, withdrew the country from the IBRD in 1960 and from the IMF in 1964. As a result of these decisions, Cuba was excluded from the main institutions of the postwar international monetary and financial system and lost access to the multilateral financing, technical assistance, and cooperation these institutions offer their member countries.

Leaving these institutions narrowed the country's options for international financial integration. Over the following decades, Cuba concentrated most of its external economic relations within the international socialist system and received financial and technical assistance on preferential terms from those countries, especially the Soviet Union. The collapse of the USSR and the socialist bloc left the country's external trade and financial position considerably compromised, contributing to the deep crisis of the early 1990s and the so-called Special Period.

Today, Cuba remains outside the main global and regional multilateral financial institutions, including the IMF, the World Bank Group, the Inter-American Development Bank (IDB), and CAF-Development Bank of Latin America and the Caribbean.

Cuba's accession or reaccession to international financial institutions is a priority of the country's economic and institutional transformation process. These institutions can provide

financing, technical assistance, and support for strengthening institutional capacity. Their involvement can also help reinforce the credibility of the stabilization and transformation program and facilitate access to other sources of external financing. The experience these institutions have accumulated in economies undergoing stabilization, structural reform, and transition also offers knowledge relevant to Cuba's case.

Official statistics do not publish up-to-date figures on the country's external debt. The most recent figure published by the National Statistics Office (ONEI) in the *Anuario Estadístico de Cuba 2024* reports external debt of \$19.743 billion in 2020, but The Economist Intelligence Unit, in its May 2026 report on Cuba, estimated a figure of \$29.3 billion for 2025 (132.6% of GDP).¹⁵

The absence of complete, up-to-date balance-of-payments and external financial-position statistics makes it difficult to precisely assess the country's financing needs. Even so, the fragility of external finances makes it especially important to regain access to multilateral financing, both to support macroeconomic stabilization and meet balance-of-payments needs and to finance development and investment programs. Joining these institutions would also provide access to technical assistance, strengthen statistical and institutional capacity, and improve the conditions for mobilizing other sources of external financing.

Cuba's reinsertion into the international financial system will also require favorable external political conditions and sufficient support from the international community. The suspension or lifting of U.S. sanctions will facilitate this process and expand the possibilities for normalizing external financial relations. In parallel, progress will be needed on negotiating outstanding certified claims and on restructuring external debt under terms compatible with economic recovery and the country's capacity to pay.

The priority for this first phase will be to formally launch these processes, restore the statistical transparency needed for negotiations, and begin normalizing relations with creditors. Actual accession to the various institutions and the completion of debt restructuring may extend beyond this phase.

In this sense, Cuba's reinsertion into the international financial system should advance through three parallel processes: accession or reaccession to international financial institutions;

¹⁵ONEI (2025), *Anuario Estadístico de Cuba 2024*; The Economist Intelligence Unit (2026), *Five-year Forecast: Cuba*, May 22, 2026.

normalizing relations with creditors through external debt restructuring; and restoring the statistical transparency and institutional capacity needed for both processes.

Priority Measures

16.1. Submit Formal Applications for Membership or Readmission to the Major International Financial Institutions

The processes needed for Cuba's accession or reaccession to the International Monetary Fund, the World Bank Group, the Inter-American Development Bank, and CAF-Development Bank of Latin America and the Caribbean will formally begin. Given the differences in procedures and requirements across institutions, applications and negotiations will need to proceed according to each institution's own legal framework and admission mechanisms.

16.2. Negotiate Membership or Readmission with Those Institutions

Once accession or reaccession processes have formally begun, the technical and institutional negotiations required by each institution will proceed. These will include, as applicable, the submission and validation of macroeconomic, fiscal, monetary, and external statistics; assessment of the exchange-rate regime and economic institutions; determination of corresponding capital contributions or quotas; and compliance with each institution's internal approval and ratification procedures.

The duration and outcome of these processes will depend both on meeting technical and institutional requirements and on securing the necessary political support within each institution. It should be noted that the Helms-Burton Act requires the U.S. executive branch to oppose Cuba's admission to international financial institutions. International financial reinsertion should therefore be part of the dialogue with the United States and with the other member countries whose participation is relevant to facilitating Cuba's accession.

16.3. Begin Negotiations to Restructure Cuba's External Debt

Restructuring external debt is an important condition for restoring the country's solvency and financial credibility. A consolidated inventory of external obligations will be compiled by creditor, instrument, currency, maturity, arrears, and legal status, and a negotiating strategy will be

established based on the economy's actual capacity to pay and the need to preserve resources for economic and social recovery.

Negotiations should seek sustainable agreements with the different creditor groups and avoid debt-service commitments incompatible with stabilization and growth. Compliance with the agreements reached will be essential for gradually restoring the country's financial credibility and facilitating its future access to international financing.

16.4. Restore the Transparency and International Comparability of Economic and Financial Statistics

Macroeconomic, fiscal, monetary, financial, social, and external-sector statistics needed to assess the country's economic situation and support negotiations with international financial institutions and creditors will be published regularly and promptly. Statistical production should move toward compliance with applicable international standards and methodologies, including the publication of the balance of payments, the international investment position, international reserves, and consolidated fiscal accounts.

Key Indicators

- Number of formal applications for membership or readmission submitted to international financial institutions, and the status of each process.
- Regular publication of macroeconomic, fiscal, monetary, financial, social, and external-sector statistics in line with international standards.
- Total value of external debt and annual debt service; external debt as a percentage of GDP and debt service as a percentage of exports of goods and services.
- Share of total external debt covered by restructuring agreements.
- Number of technical missions received and the status of each application process.
- Amount of external financing approved and disbursed.

17. Begin a Comprehensive Process of Negotiating and Resolving Confiscation

Claims

Starting Point and Main Objectives

Claims over property confiscated during the early years of the Cuban Revolution are a crucial issue that will need to be addressed in the country's economic and institutional transformation process, given their legal, political, international, and economic implications. Resolving them is especially important for strengthening the security of property rights and creating favorable conditions for investment. A significant share of the resources needed for stabilization and economic reconstruction could come from U.S. and other foreign investors, as well as from the Cuban community living abroad.

Although resolving claims will be a lengthy process, from the first phase of stabilization onward there must be a clear government willingness to begin negotiations and establish the necessary legal and institutional mechanisms. As a general principle, the existence of a claim should not automatically halt the productive use, management, or restructuring of the affected assets while the appropriate mode of resolution is determined, without prejudice to whatever rights are ultimately recognized for claimants.

Progress in resolving claims would strengthen legal certainty for domestic and foreign investment, facilitate the normalization of relations with the United States and other countries, improve conditions for access to external financing, help clarify property rights, and could favor national reconciliation.

The resolution of claims must protect the rights of those who legally acquired homes, land, or other property that had previously been confiscated, after 1959. As a general principle, current legitimate owners should not be stripped of property acquired in accordance with the legislation in force at the time of acquisition. In these cases, the claim over the original property must be resolved through compensation mechanisms or other arrangements that do not result in the current legitimate owner losing the property.

The process should provide for different modes of resolution depending on the nature of the asset, its legal status, and its current use. These could include physical restitution where legally and materially feasible; compensation through bonds or other public instruments; the use of compensation instruments to participate in privatization processes or acquire certain state assets; and other negotiated formulas. In the case of agricultural land, the property legitimately acquired by the beneficiaries of the First Agrarian Reform Law of 1959 must be protected, and restitution or compensation evaluated in other cases according to the legal framework to be established.

The design of compensation arrangements must avoid a fiscal burden incompatible with stabilization and economic recovery. To that end, different sources and mechanisms may be combined, including revenue from the sale of state assets, bonds or other long-term instruments, and arrangements for participation in privatization processes. The use of public assets must follow transparent procedures, independent valuations, and accountability mechanisms that prevent the opaque transfer of public wealth and the capture of the process by groups with privileged access.

Resolution mechanisms may be designed, where appropriate and on a voluntary basis, to encourage reinvestment in the country. Certain compensation instruments or rights could be used in new greenfield investment projects, in acquiring assets subject to privatization, or in other transactions that bring capital, technology, and market access, and facilitate the integration of the Cuban economy into global value chains.

The process must distinguish between claims recognized or certified under existing legal mechanisms, claims by citizens and companies of other countries, and claims by Cuban citizens or their heirs. Each category may require different procedures for registration, verification, negotiation, and resolution, under common principles of transparency, equality before the law, and protection of rights legitimately acquired by third parties.

The priority for the first phase will be to establish the legal and institutional framework, begin international negotiations, open the procedures for registering and verifying claims, and define the principles and modes of resolution. Resolving all claims will necessarily be a longer-term process.

This must be governed by criteria that make it possible to redress the consequences of the confiscations without creating new situations of legal uncertainty. To that end, it must protect the rights of current legitimate owners, separate, as far as possible, the resolution of claims from the productive operation of the assets, provide for different modes of restitution and compensation suited to the nature of each case and to fiscal sustainability, and establish differentiated procedures for the different legal categories of claimants.

Priority Measures

17.1. Begin Bilateral Negotiations to Resolve Claims by Foreign Citizens and Companies

Negotiations will begin with countries whose citizens or companies hold outstanding claims arising from property confiscations carried out after 1959. These processes must recognize the legal particularities of the different categories of claims and seek agreements that define the arrangements, procedures, and financing mechanisms for compensation. Bilateral agreements can strengthen the credibility and legal certainty of the process and contribute to normalizing Cuba's international economic and financial relations.

17.2. Establish the Legal and Institutional Framework for Registering, Verifying, and Resolving Claims

Specific legislation will be approved establishing the principles, categories of claims, standing requirements, registration and verification procedures, and modes of resolution. A National Claims Commission will be created with functional autonomy and transparent operating rules. Specialized mechanisms for reviewing and resolving disputes will also be established, which may include competent national courts, arbitration, and, where appropriate, ad hoc international mechanisms.

17.3. Establish Diversified, Fiscally Sustainable Arrangements for Restitution and Compensation

Recognized claims may be resolved through different mechanisms, depending on the nature of the asset, its legal status, and third-party rights: physical restitution where feasible; compensation through bonds or other instruments; use of compensation instruments in privatization processes or the acquisition of state assets; and other negotiated formulas.

In the case of housing, protection will be given to those who acquired or inherited ownership of the property after 1959, in accordance with the legislation in force at the time of acquisition. No claims process will result in the physical restitution of housing to the original claimant or affect the ownership rights of its current legitimate holders. The claim over the original home will be

resolved exclusively through compensation or other arrangements that do not result in current owners losing their homes.

In the case of agricultural land, the property legitimately acquired by the beneficiaries of the First Agrarian Reform Law of 1959 will be protected. Claims over such land will be resolved under the same rule.

In all other cases, the appropriateness of restitution or compensation will be assessed under the legal framework to be established.

The design of these mechanisms must protect current legitimate owners and avoid fiscal commitments incompatible with stabilization and economic recovery.

Key Indicators

- Number and status of the bilateral negotiations initiated to resolve claims.
- Number and value of claims registered and verified.
- Number and share of claims resolved relative to total verified claims.
- Average time to resolve claims.
- Distribution of resolved claims by mode of resolution — restitution, compensation through bonds or other instruments, participation in privatization processes, or other negotiated arrangements — both by number of cases and by value.
- Annual and cumulative value of recognized compensation, and its relation to GDP and to public revenue or expenditure.

VI. Social Protection and Administrative Reform

18. Guarantee Immediate Social Protection and Develop Proactive Social Policies for Inclusive Development

Starting Point and Main Objectives

Cuba's deep economic crisis has had serious social consequences. Chronic shortages of essential goods, high inflation, deteriorating public services and social programs, and mass

emigration have driven up poverty and social vulnerability and weakened households' capacity to cope with the crisis.

The transformations needed to stabilize and revive the economy can generate, especially in the initial stage, transitional unemployment, income losses, and greater risks of inequality and vulnerability. At the same time, reforming broad-based subsidies and restructuring state enterprises and entities will require new protection mechanisms capable of concentrating resources on those who need them most, without weakening universal access to essential services such as education and health care.

The purpose is to prevent the costs of stabilization and of property and market reforms from falling disproportionately on the most vulnerable groups and on those affected by economic restructuring. Social policy must be an integral part of the transformation program from the outset, through immediate protection mechanisms and proactive policies that help people adapt to the new economic conditions. This seeks to combine the social and political viability of the reforms with a strategy of inclusive development and a structural reduction of poverty.

Social protection should combine universal and targeted instruments. Essential public services and human-capital formation policies should preserve their universal character, while cash subsidies and other transfers intended to offset the effects of adjustment should be concentrated primarily on the households and individuals in the greatest vulnerability. Extraordinary emergency measures will be temporary and should be reviewed periodically as economic activity recovers and household incomes improve.

In this first phase, social policy must serve three simultaneous functions: protecting people and households from the most severe effects of the crisis and of adjustment; facilitating the adaptation and reintegration of those affected by economic restructuring; and preserving and expanding the human and social capabilities needed for inclusive development. Immediate protection and economic transformation must therefore advance as inseparable components of a single strategy.

Priority Measures

18.1. Implement a Temporary Protection and Reintegration Package for Workers Displaced by Labor-Market Adjustment

A temporary set of measures will be adopted to protect workers affected by the restructuring of state enterprises and entities and to facilitate their labor reintegration. These measures may include temporary reduced working hours as an alternative to dismissal; unemployment benefits; transitional subsidies for hiring or retaining workers where justified; training and retraining programs geared toward skills demanded by the private, cooperative, and public sectors; job-placement services; and specific support for households whose vulnerability increases directly as a result of restructuring.

Relocation into essential public services should reflect genuine staffing needs and required qualifications, avoiding its use as a form of artificial employment. Programs must maintain beneficiary registries, transparent eligibility criteria, and periodic evaluation mechanisms.

18.2. Create a National Program to Rehabilitate Emergency Services

Rehabilitate infrastructure and essential services in five priority areas – medicines, health care, water, housing, and transportation – through proactive action. This program is financed out of the stabilization fund.

18.3. Invest in Equity and Productivity

Use fiscal savings and international cooperation to finance technical-training programs, child care, primary health care, and the rehabilitation of productive infrastructure – such as warehouses, rural roads, and cold-storage facilities – to improve social well-being in the municipalities with the greatest structural vulnerability.

18.4. Incorporate Mandatory Social Indicators into the Monitoring and Evaluation of the Stabilization Program

Program monitoring will include social indicators disaggregated by sex, age, territory, and other relevant characteristics of social groups. These will include the labor reintegration of workers affected by restructuring, multidimensional poverty, income inequality, and access to basic services. A significant deterioration in these indicators must trigger a review of the measures applied and, where appropriate, the strengthening or redesign of social protection and compensation mechanisms.

Key Indicators

- Share of workers laid off or affected by restructuring who receive a temporary subsidy, training, or retraining support, with data on the share of women and young people among the beneficiaries of the protection package.
- Degree of targeting of the national emergency-services rehabilitation program, prioritizing vulnerable groups: children, the elderly, pregnant women, and people with chronic illnesses.
- Share of high-vulnerability municipalities showing simultaneous improvement in at least two dimensions of well-being (health/care plus productivity/infrastructure).
- Progress in the mandatory integration of social indicators (a composite index weighting five dimensions: institutional adoption, coverage of social dimensions, quality and frequency of reporting, use in decision-making, and transparency and public access).

19. Adapt the Labor Relations Framework to Economic Transformation and

Guarantee Fundamental Labor Rights

Starting Point and Main Objectives

Restructuring the state sector and expanding private enterprise and other forms of ownership will profoundly change the structure of employment and labor relations in Cuba. The transition can expand employment opportunities and raise productivity, but it can also create risks of unemployment, informality, precarious work, and greater worker vulnerability vis-à-vis employers if a labor framework suited to the new conditions is not developed.

The current labor framework was designed mainly for an economy dominated by state employment and does not fully meet the needs of a more diverse labor market with growing participation by private enterprises, cooperatives, mixed enterprises, and foreign capital. Although recent regulatory reforms have sought to expand regulation of non-state employment, the economic transformation will require combining greater flexibility in hiring and work organization with effective guarantees for all workers, regardless of employer type.

The purpose is to facilitate the creation of formal, productive employment through labor rules suited to a more diverse economy, while preventing the flexibility needed for economic

expansion from turning into precarious work. The new framework should encourage hiring, mobility, and labor reintegration, while guaranteeing decent working conditions, access to social security, and effective mechanisms for protecting labor rights.

Freedom of association, collective bargaining, and the right to strike are fundamental components of a democratic system of labor relations and help balance bargaining power between workers and employers. Their recognition must be accompanied by clear rules governing their exercise, including protection against retaliation and the regulation of strikes through advance-notice procedures and guarantees for the continuity of essential services in the strict sense. These regulations must be compatible with the internationally recognized fundamental principles and rights at work.

In this first phase, labor reform must advance along three lines: introducing the flexibility needed to facilitate job creation and reallocation; establishing protection and reintegration mechanisms for workers affected by restructuring; and guaranteeing freedom of association, collective bargaining, and effective mechanisms for resolving labor disputes. Labor flexibility and the protection of workers' rights should not be seen as competing objectives, but as complementary components of a dynamic, formal, and socially sustainable labor market.

Priority Measures

19.1. Temporarily Ease Fixed-Term Hiring Rules for Justified Activities and Circumstances

During the first phase, greater use of fixed-term contracts will be allowed for workers affected by economic restructuring, seasonal activities, specific projects, temporary substitutions, and early-stage ventures. These contracts may run for a maximum cumulative term of 36 months, except where the nature of the activity justifies an exception. Legislation must prevent their successive use to permanently fill positions of a stable nature. Contracts entered into during this phase will be governed by the rules in force at the time they were signed until their expiration.

19.2. Begin a Comprehensive Reform of the Labor Code to Adapt It to an Economy with Diverse Forms of Ownership

The process of comprehensively reforming the Labor Code and its implementing regulations should begin during the first phase of the transformation, with the aim of preparing a labor framework that applies coherently to state, private, cooperative, mixed, and foreign employers. The reform must address, among other matters, hiring arrangements, termination of employment, collective bargaining, social security, labor mobility, dispute resolution, and protection against discrimination and retaliation.

19.3. Adopt a New Legal Framework for Labor Relations, Freedom of Association, and the Right to Strike, Covering the Following Aspects

- Temporarily reduce social-security contributions for 12 months for employers who hire workers relocated from the public sector.
- Establish a procedure for collective dismissals in restructuring processes, with notification to the labor authority and consultation with unions or worker representatives. Dismissals would be conditioned on the effective operation of the temporary protection and reintegration package for labor-market adjustment established under measure 18.1, which takes effect in the first half of the second year.
- Establish training and retraining obligations for workers in transition, supported by subsidies or deductions.
- Guarantee full judicial access to challenge dismissals and introduce agile dispute-resolution mechanisms — mediation and arbitration — before resorting to the courts.
- Design mandatory insurance against work interruptions and protection against disasters or crises, for application in a later phase.
- Guarantee the full portability of rights in labor transfers from the state sector to the private or cooperative sector, including seniority, accrued vacation, social-security contributions, and pensions.
- Regulate the balance between workers and employers, particularly the formation of free trade unions, strike procedures, and the prohibition of retaliation, in line with the rights promoted by the International Labour Organization (ILO).

- The rule is transitional in nature and takes precedence over the existing Labor Code until it is reformed, with an incorporation clause.

Key Indicators

- Share of salaried workers with fixed-term contracts, and the average duration of these contracts.
- Labor Code Comprehensive Reform Progress Index (a composite index weighting five dimensions: regulatory and institutional progress, incorporation of diverse forms of ownership, participation and consultation, harmonization and coherence, and transparency and communication).
- Social-security coverage rate in the non-state sector: share of workers with contributions to social security and unemployment insurance.
- Share of recommendations from the ILO Committee on Freedom of Association that have been implemented.
- Average time to register new trade unions, and the annual number of denials.
- Legal restrictions on the right to strike: share of sectors classified as essential, and the existence of excessive requirements, such as high quorum thresholds or lengthy advance-notice periods.
- Effectiveness of the right to strike: share of strikes that achieve at least part of their demands, and the existence of protection against dismissal during legal strikes.

20. Begin Reforming Public Administration, Strengthen Transparency and Anti-Corruption Efforts, and Guarantee Public Safety

Starting Point and Main Objectives

Cuba's public administration is marked by a high degree of centralization, limited autonomy for territorial governments, insufficient professionalization in certain functions, and a strong subordination of administrative structures to political criteria. These features reduce the state's management capacity, hinder economic activity, widen the scope for administrative discretion and corruption, and discourage private initiative.

The purpose is to begin building, from the first phase of the transformation onward, a professional, agile, efficient public administration oriented toward serving citizens, capable of ensuring the functioning of the state, providing quality public services, applying regulations impartially, facilitating economic activity, and strengthening transparency and accountability.

Provincial and municipal decentralization is an essential component of this transformation because it allows real powers, resources, and responsibilities to be transferred to territorial governments and brings public decisions closer to the population's needs. This process must be accompanied by strengthened local administrative capacity, fiscal-responsibility mechanisms, and a transfer system that avoids deepening inequalities between territories. Decentralization can also foster institutional innovation and experimentation with solutions suited to each territory's conditions.

International experience shows that privatization and public-asset transfer processes can generate high risks of corruption and rent capture when carried out without sufficiently strong oversight, transparency, and accountability institutions. In Cuba's case, the absence of a democratic state governed by the rule of law considerably increases these risks, since an accelerated transfer of state assets without adequate legal and institutional safeguards could favor their appropriation by individuals or entities with privileged access to information or close ties to power. For this reason, strengthening the institutions proper to a democratic state governed by the rule of law, and the mechanisms of transparency, oversight, and accountability, must advance simultaneously with restructuring and privatization processes.

Public safety will also be a priority of the first phase. The deep economic and social crisis has been accompanied by rising common crime and other forms of insecurity, a situation that could worsen amid economic and institutional transformation if adequate prevention and response measures are not adopted. At the same time, the country's capacity to confront transnational threats such as drug trafficking, money laundering, and terrorism will need to be strengthened, through professional institutions, effective controls, and international cooperation. Security policy must be developed within a democratic state governed by the rule of law and with full respect for human rights.

In this first phase, the reform must advance simultaneously along four lines: professionalizing the civil service; transferring powers and resources to territorial governments; strengthening transparency, accountability, and corruption prevention; and guaranteeing public safety through

professional institutions subject to the law and to democratic oversight. These components are indispensable for strengthening state capacity and creating an institutional environment compatible with a social market economy and a democratic state governed by the rule of law.

Economic transformation does not require weakening the state, but redefining and strengthening its capabilities. Reducing its direct intervention in production and business decisions must be accompanied by a greater capacity to provide public services, apply rules impartially, guarantee rights, prevent and punish corruption, and protect public safety. Building a social market economy therefore requires a professional, transparent, decentralized public administration subject to a democratic state governed by the rule of law.

Priority Measures

20.1. Approve a Transitional Framework for Professionalizing the Civil Service

During the first phase, a transitional civil-service regime will be established based on merit, capability, suitability, and transparency for access, promotion, and career development at all levels of the administration. The framework must define public selection procedures, rules on incompatibility and conflicts of interest, performance-evaluation systems, and guarantees of professional stability against undue political interference.

20.2. Promote Gradual Decentralization with Territorial and Fiscal Autonomy

Powers, resources, and responsibilities will be gradually transferred to the municipal and provincial levels, assigning each function to the level of government best able to carry it out effectively. Territorial deliberative bodies and their oversight powers over local executives will be strengthened. Intervention by higher levels of government must be defined by law and limited to national coordination, guaranteeing rights, correcting serious noncompliance, and addressing situations beyond the capacity of territorial governments.

The transfer of new powers must be accompanied by the financial, human, and technical resources needed to exercise them. The capacity of provinces and municipalities to raise and manage their own revenue within a common national fiscal framework will be gradually expanded. The system will combine local taxes and fees with transparent mechanisms for sharing in certain national revenue and intergovernmental transfers based on objective rules.

A fiscal-equalization system will be established that accounts for differences in revenue-raising capacity and spending needs across territories, in order to prevent decentralization from widening regional inequalities. Greater fiscal autonomy must be accompanied by rules on fiscal responsibility, budget transparency, and accountability.

20.3. Adopt a Transitional Framework for Transparency, Public Integrity, and Anti-Corruption

The privatization and state-asset-transfer processes provided for under measures 12.5, 12.6, 13.2, 8.3, and 8.4 will be subject to this transitional framework.

Active-transparency obligations will be established for all public entities, including the accessible, timely publication of budgets, budget execution, public contracts, tender procedures, and the asset and interest declarations of officials subject to these obligations. Rules will also be established on conflicts of interest, incompatibilities, public procurement, and whistleblower protection.

In addition, privatization and state-asset-transfer processes will be subject to enhanced transparency and control requirements, including independent asset valuation, public disclosure of procedures, identification of ultimate beneficiaries, and post-transaction audits. The joint sale of holding-type corporate structures will be prohibited where it would prevent the individual valuation of their constituent enterprises or favor the reconstitution of monopoly positions.

An anti-corruption authority will be created with functional independence and operational autonomy, accountable to the country's supreme legislative body. Its leadership will be appointed through a public, transparent procedure involving different institutions and mechanisms of citizen scrutiny.

20.4. Simplify and Digitize Priority Administrative Procedures

The main procedures affecting citizens and enterprises will be reviewed to eliminate unnecessary requirements, shorten deadlines, and limit scope for discretion. Standardized procedures, maximum response times, administrative-silence mechanisms where applicable, and digital systems for submitting applications, tracking cases, and making payments will be established. Simplification should prioritize procedures related to business creation and operation, permits, licenses, property, construction, and access to public services.

20.5. Adopt a Comprehensive Strategy for Public Safety and Protection Against Transnational Threats

The strategy will combine the prevention of violence and crime, the professionalization of police forces, the protection of the population, and strengthened capacity to confront drug trafficking, money laundering, terrorism, and other transnational threats. Security institutions must act subject to the law, with respect for human rights, effective oversight and accountability mechanisms, and a clear delimitation of their functions.

The strategy will promote international cooperation on information sharing, criminal investigation, and the prevention of transnational threats, in accordance with domestic legislation and the country's international commitments.

Key Indicators

For the first three years, monitoring should focus on the implementation of the reforms and their results for administrative efficiency, decentralization, transparency, public integrity, and public safety. Indicators should be broken down by national, provincial, and municipal level as applicable and published periodically on a public monitoring dashboard.

- Share of public-administration positions filled through competitive, merit-based procedures.
- Trends in performance indicators for transferred services (e.g., water, education, health coverage, etc.) at the subnational level.
- Share of territorial government spending financed by own-source revenue and participation in national revenue, and the dispersion of per capita fiscal capacity across territories before and after equalization transfers.
- Share of budgets, budget-execution reports, public contracts, and asset and interest declarations subject to publication that are available and up to date on open-data portals.
- Share of privatization and public-asset-transfer transactions subject to the mandatory valuation, publicity, competition, and audit procedures, and the number of irregularities detected and sanctioned.
- Share of priority administrative procedures simplified and fully available digitally.

- Homicide rate and rate of other violent crimes per 100,000 inhabitants.
- Number of money-laundering investigations and convictions, and the value of assets identified, frozen, or recovered.
- Indicators of effective international cooperation and response times for judicial and police cooperation requests on transnational threats (successful anti-narcotics operations; money-laundering investigations and convictions; and terrorist threats neutralized).

9. Sequencing

The sequencing of the priority measures sets out the strategic and chronological order in which macroeconomic, structural, and institutional actions will be implemented during the first phase of stabilization and emergency transformation.

The sequence functions as a roadmap designed to exploit the complementarities among the priority measures. Not all measures can be applied simultaneously, and some require others to have already been carried out in order to produce the expected results.

Proper sequencing is essential for several reasons:

- **It minimizes the costs of adjustment.** It reduces the risk of economic instability, unemployment, or accelerating inflation that can arise when reforms are applied in the wrong order.
- **It builds credibility and confidence.** A well-sequenced program conveys coherence to economic actors, investors, and the public, which strengthens support for the reforms and their effectiveness.
- **It exploits synergies.** It allows the implementation of certain measures to create the conditions needed for the implementation and success of others.
- **It reduces the risk of reform reversal.** Poor sequencing can undermine expected results and generate political and social resistance that leads to costly setbacks.

In an economic transformation program, what to do is as important as when to do it and in what order. Proper sequencing raises their odds of success and helps reduce the costs of the transition to a new economic model.

In this proposal, the sequencing of the priority measures is represented through a Gantt chart (see Annex 2), which shows how they are organized across six half-year periods, as well as where they overlap.

The measures appear in the rows of the chart, and the time scale, divided into half-year periods, appears in the columns. Shaded cells indicate the approximate period during which each measure is implemented.

10. Final Considerations

Macroeconomic stabilization and emergency measures are a necessary condition for halting Cuba's economic and social decline, but their purpose is to create the economic, institutional, and political conditions for recovery and structural transformation. Halting the decline requires controlling inflation, balancing public finances, readjusting the monetary and exchange-rate system, initiating a productive recovery, restoring basic services, overcoming the energy emergency, and protecting the most vulnerable groups.

Proactive social policy must be an integral part of the transformation program from the outset, to help people adapt to the new economic conditions. This would make it possible to combine social and political viability with a strategy of inclusive development and the structural reduction of poverty.

The success of this first phase will depend on its capacity to generate confidence, certainty, and the institutional capabilities needed to begin the transformation process. Carrying out this phase requires political leadership, technical capacity, discipline, transparency, and accountability, as well as broad national consensus to legitimize decisions and prevent the costs of transformation from falling disproportionately on the most vulnerable groups.

Alongside the national effort, Cuba needs broad support from the international community. Stabilization and the start of recovery require emergency financing, specialized technical assistance, stronger institutional capacity, and reintegration into the international financial system. Normalizing international economic relations, restructuring external debt, resolving pending claims, and removing the main obstacles that today limit Cuba's access to trade, investment, and external financing — in particular, economic sanctions — are essential to accelerating recovery and reducing the social costs of transformation.

The strategic horizon for this process is the construction of a social market economy within a democratic state governed by the rule of law. Expanding the role of markets and private initiative does not weaken the state; it redefines and strengthens its capacity.

International experience confirms the importance of intertemporal consistency between short-term decisions and long-term strategic objectives. Stabilization, recovery, and structural reform are part of a single process, in which each emergency measure must help create the conditions for recovery, and each subsequent advance must strengthen the foundations of the model the country aspires to build.

The proposal presented in this document is not intended as a closed program, nor does it offer definitive answers to all the challenges Cuba's transformation will face. Its design and implementation should be enriched through public debate, technical analysis, available evidence, and accumulated experience, and should be subject to continuous monitoring and adjusted as the country's conditions evolve. In this sense, it also aims to contribute to a broader discussion of the alternatives and decisions the country will face, and it remains open to scrutiny, criticism, and proposals for improvement.

ANNEXES

Annex 1

Comparative Indicators — 2022–2024 Average

Indicator	Cuba	Dominican Rep.	Costa Rica	Panama	Guatemala	Haiti	Caribbean	Central America	LAC
Nominal GDP (millions of dollars)	11,437	119,412	83,794	82,272	104,401	21,314	240,638	359,126	6,424,259
GDP per capita (dollars)	1,038	10,537	16,403	18,444	5,756	1,829	7,240	6,918	9,913
GDP per capita, PPP (dollars)	6,300	26,002	29,231	39,172	13,706	3,254	17,772	18,342	21,049
Population density (inhabitants per km ²)	91.7	233	99.9	59.2	167	419	267	99.3	31.8
Gross fixed capital formation (% of GDP)	7.1	28.4	16.3	35.0	16.4	13.2	15.7	22.9	19.3
Exports of goods and services per capita (dollars)	864	2,339	6,489	8,298	984	94.9	2,239	2,272	2,629
Trade balance (millions of dollars)	-677	-9,303	4,548	3,846	-16,368	-4,067	-22,505	-60,957	-52,369
Trade balance (% of GDP)	-6.6	-7.9	5.2	4.6	-15.7	-19.5	-9.4	-17.3	-0.8

Indicator	Cuba	Dominican Rep.	Costa Rica	Panama	Guatemala	Haiti	Caribbean	Central America	LAC
Current account balance (% of GDP)	-9.9	-4.3	-1.8	-0.8	2.4	-2.2	-6.9	-1.3	-3.9
Inflation (%)	31.8	4.9	2.3	1.3	5.0	32.8	10.1	4.1	5.6
Fiscal balance (% of GDP)	-9.4	-3.2	-3.2	-4.7	-1.3	2.0	-2.8	-1.9	-2.9
Electricity consumption per capita (kWh/inhabitant)	1,384	2,162	2,115	2,740	688	29.2	1,411	1,099	2,275
Final energy consumption per capita (toe/inhabitant)	0.478	0.734	0.827	0.884	0.841	0.249	0.933	0.674	1.004
Apparent steel consumption per capita (kg)	10.0	48.6	116	70.9	61.4	N/A	75.2	59.6	77.4
Cement consumption per capita (kg)	69.0	484	195	269	281	N/A	N/A	240	285
Educational attainment index (HDI)	0.743	0.693	0.749	0.731	0.492	0.482	0.735	0.619	0.710

Indicator	Cuba	Dominican Rep.	Costa Rica	Panama	Guatemala	Haiti	Caribbean	Central America	LAC
Health attainment index (HDI)	0.891	0.829	0.928	0.915	0.802	0.686	0.812	0.846	0.833

Source: ECLAC, IMF, UNCTAD, World Bank (World Development Indicators), UNDP, EIU, OLACDE, World Steel Association, Inter-American Cement Federation (FINCEM). Cuba's GDP per capita, PPP (dollars): Vidal, Pavel. "Where the Cuban Economy Stands in Latin America: A New Measurement of Gross Domestic Product." *Cuban Studies*, no. 49 (2020): 97–118. N/A: data not available or insufficient coverage in the source files. Dom. Rep.: Dominican Republic; Central Am.: Central America; LAC: Latin America and the Caribbean. Figures of three or more integer digits are rounded to the nearest whole number. Per capita indicators involve population estimates that vary across organizations. Population-density figures assume an average population of 10.08 million inhabitants between 2022 and 2024.

Annex 2

Sequencing and Priorities Diagram

Measures are shown in the rows, with the time scale — divided into half-year periods across three years — in the columns. The shaded cell marks the approximate half-year period in which each measure is implemented. The measures are ordered by suggested implementation timing, not by policy area.

Measure	Year 1		Year 2		Year 3	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
1.4 Strengthen the Transparency of Public Accounts and Establish a Credible Benchmark for Price-Setting and Expectations						
2.1 Introduce Targeted Tax Adjustments That Favor Formalization and Employment						
2.3 Create a Stabilization Fund to Channel External Resources and Proceeds from Asset Sales						
3.1 Liberalize Prices in Agricultural Markets and Eliminate Any Price Cap or Administrative Price-Fixing That Distorts Supply, Except Those Tied to the State Procurement Quota						
3.3 Eliminate Price Caps on the Private Sector and Define Clearer, More Predictable, and Technically Consistent Mechanisms for Regulating and Updating the Prices That Remain Regulated						

Measure	Year 1		Year 2		Year 3	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
3.4 Raise Interest Rates and Allow Them to Better Reflect Actual Scarcity and Inflation						
6.1 Contract and Deploy Dispatchable Emergency Generation Through Floating Power Plants and Other Available Technical Solutions						
6.2 Rehabilitate Existing Facilities – Conventional Thermoelectric Plants and Distributed Generation Units						
6.3 Improve the Quality of the Fuel Used in Power Generation						
5.1 Establish Temporary Supply Agreements with International Suppliers to Secure a Minimum Volume of Fuel for Essential Uses						
5.2 Open the Fuel Import, Distribution, and Marketing Market, Subject to Appropriate Regulation						
7.1 Accelerate the Approval and Execution of Solar-Plus-Storage Projects, Both Existing Contracts and New Ones						
8.1 Allow Private Legal Entities of Any Scale to Operate in Agriculture						
8.2 Extend Usufruct Contracts for Idle State Lands and Establish a Secondary Market for Usufruct Certificates						
9.4 Implement Emergency Measures to Boost Production in the Short Term						

Measure	Year 1		Year 2		Year 3	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
10.1 Reposition Cuba as a Destination and Diversify Source Markets						
10.2 Ensure a Stable Energy Supply to the Main Tourist Hubs and Expand Their Capacity for Renewable Self-Consumption						
10.3 Strengthen the Links Between Tourism and Domestic Suppliers						
11.1 Eliminate the Restrictions That Limit Private Enterprise's Participation in the National Economy						
11.2 Simplify and Make More Transparent the Registration and Establishment of Private Enterprises						
11.3 Establish a Regulatory Framework That Supports MSMEs, with Tax Incentives						
12.1 Tighten the Budget Constraint on State Enterprises						
14.1 Eliminate the Foreign Trade Monopoly						
14.2 Eliminate Import Tariffs on Capital Goods and on Intermediate Goods Not Produced Domestically						
14.3 Simplify Customs Procedures and Reduce Non-Tariff Barriers to Trade						
15.1 Simplify and Make More Transparent the Registration and Establishment of Companies with Foreign Investment						
15.2 Simplify and Differentiate Approval Procedures for Foreign Investment Projects by Scale and Complexity						

Measure	Year 1		Year 2		Year 3	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
15.3 Promote Special Economic Zones and Industrial Parks with Favorable Conditions for Investment and Production						
16.1 Submit Formal Applications for Membership or Readmission to the Major International Financial Institutions						
16.3 Begin Negotiations to Restructure Cuba's External Debt						
16.4 Restore the Transparency and International Comparability of Economic and Financial Statistics						
18.2 Create a National Program to Rehabilitate Emergency Services						
15.6 Ease Hiring Rules for Foreign Enterprises and Investors						
18.4 Incorporate Mandatory Social Indicators into the Monitoring and Evaluation of the Stabilization Program						
19.3 Adopt a New Legal Framework for Labor Relations, Freedom of Association, and the Right to Strike						
20.3 Adopt a Transitional Framework for Transparency, Public Integrity, and Anti-Corruption						
20.5 Adopt a Comprehensive Strategy for Public Safety and Protection Against Transnational Threats						
4.1 Bring Official Exchange Rates Closer to the More Realistic Reference Rates That Already Exist in the Economy						
4.2 Adopt a Transitional Managed-Float Exchange-Rate Regime						

Measure	Year 1		Year 2		Year 3	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
6.4 Give Large Producers Direct Access to Independent Power Generation						
6.6 Gradually Update Tariffs for Industrial, Commercial, and Public-Sector Consumers, With Transitional Rationing						
7.2 Expand the Self-Consumption Regime, Allowing Surplus Power to Be Sold to the Grid						
9.2 Create Physical Regional Wholesale Markets in Each Province or Producing Area, Operating by Auction or Free Negotiation						
9.6 Create Fiscal and Tariff Incentives for Investment in Agricultural Infrastructure to Raise the Competitiveness of Production						
13.1 Break Up GAESA's Monopoly Structure and Transfer Its Enterprises and Operations to Civilian Structures Open to Competition						
13.2 Integrate GAESA's Resources into the State Budget and Develop a Transparent Process for the Selective Sale of Assets						
13.3 Transfer to the Central Bank the International Reserves and Other Foreign-Currency Holdings That GAESA Currently Retains						
3.2 Extend More Flexible, Market-Based Price-Setting to State Enterprises						

Measure	Year 1		Year 2		Year 3	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
9.3 Authorize Direct Imports and Exports by Producers and Traders, with Temporary Declining Tariffs to Protect Domestic Production						
12.5 Adopt the Principles of Privatization						
12.7 Define the Criteria for Determining Where a State Enterprise Presence Should Be Maintained						
8.5 Adopt a Hybrid Model of Agricultural Financing						
1.1 Integrate the Operations of All State Entities into the Civilian Fiscal Framework						
12.2 Carry Out an Inventory and Viability Assessment						
12.3 Establish a Legal Insolvency Framework and an Orderly Exit Mechanism for Nonviable Enterprises						
18.1 Implement a Temporary Protection and Reintegration Package for Workers Displaced by Labor-Market Adjustment						
1.2 Close, Merge, or Restructure Unprofitable State Enterprises Once Relative Prices and the Exchange Rate Have Been Corrected						
2.2 Update Public-Sector Pensions and Wages Based on Inflation, the Fiscal Savings Actually Achieved, and Additional Resources						
4.3 Formalize Informal Foreign-Exchange Transactions						

Measure	Year 1		Year 2		Year 3	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
6.5 Implement a Program to Reduce Losses in Transmission, Distribution, and Marketing						
7.3 Apply New Residential Tariffs with a Protected Basic-Consumption Block						
15.4 Open Foreign Investment in Non-Bank Financial Institutions and Develop a Regulatory Framework for Offshore Banking						
15.5 Establish Transitional Mechanisms for Arbitration and the Settlement of Trade and Investment Disputes						
16.2 Negotiate Membership or Readmission with the Major International Financial Institutions						
8.3 Establish a Market for Buying and Selling Agricultural Land						
9.1 Gradually Eliminate the State Procurement Quota and Replace Mandatory Contracts with Voluntary Contracts with the State at Market Prices						
12.6 Establish the Framework for Privatization						
17.2 Establish the Legal and Institutional Framework for Registering, Verifying, and Resolving Claims						
12.4 Subject the Remaining State Enterprises to Sound Corporate-Governance Standards						
17.3 Establish Diversified, Fiscally Sustainable Arrangements for Restitution and Compensation						

Measure	Year 1		Year 2		Year 3	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
17.1 Begin Bilateral Negotiations to Resolve Claims by Foreign Citizens and Companies						
19.1 Temporarily Ease Fixed-Term Hiring Rules for Justified Activities and Circumstances						
8.4 Gradually Bring the State-Owned Land Managed by the Basic Units of Cooperative Production (UBPC) into the Agricultural Land Market						
20.2 Promote Gradual Decentralization with Territorial and Fiscal Autonomy						
18.3 Invest in Equity and Productivity						
1.3 Reduce Broad-Based Subsidies and Continue Moving Toward Subsidies Better Targeted at Vulnerable Households						
19.2 Begin a Comprehensive Reform of the Labor Code to Adapt It to an Economy with Diverse Forms of Ownership						
20.1 Approve a Transitional Framework for Professionalizing the Civil Service						
20.4 Simplify and Digitize Priority Administrative Procedures						
9.5 Deploy Digital Trading Infrastructure – E-Commerce Platforms, Price Information, and Futures Contracts						

Source: authors' elaboration.